

JPRS-EER-92-163  
27 November 1992



---

# ***JPRS Report***

## **East Europe**

---

# East Europe

JPRS-EER-92-163

## CONTENTS

27 November 1992

### CZECHOSLOVAKIA

Destructive Impact of Danube Diversion, Dam .....	1
Fish Dying 'in Drovers' [SZABAD UJSAG 10 Nov] .....	1
Endangered Drinking Water [SZABAD UJSAG 12 Nov] .....	1

### HUNGARY

Csurka Commentary on Anti-Goncz Demonstration [MAGYAR FORUM 29 Oct] .....	2
Contributions to Csurka Foundation Reported [MAGYAR FORUM 29 Oct] .....	3
Banking Law Amendments Discussed .....	3
Enforcement Strengthened [FIGYELO 15 Oct] .....	3
Bank President's View [TOZSDE KURIR 1 Oct] .....	5
Other Bankers Comment [TOZSDE KURIR 1 Oct] .....	6
Kupa on Government Support to Agriculture [FIGYELO 15 Oct] .....	7
Agricultural Privatization Strategy Discussed [FIGYELO 15 Oct] .....	7
Generals Comment on Aircraft Parts Problem [Stockholm SVENSKA DAGBLADET 4 Nov] .....	8

### POLAND

KLD's Future Political Orientation Discussed [PRAWO I ZYCIE 24 Oct] .....	9
National Guard Formation Concepts Discussed .....	11
Milewski Comments [POLSKA ZBROJNA 19 Oct] .....	11
Newspaper Comments [POLSKA ZBROJNA 19 Oct] .....	11
Status, Future of Arms Industry Discussed [POLSKA ZBROJNA 19 Oct] .....	13
Description of Goods Subject to Excise Tax [RYNKI ZAGRANICZNE 10 Oct] .....	15

### ROMANIA

Military Accomplishments, Goals Cited in Report [ADEVARUL 17 Oct] .....	17
---	----

### YUGOSLAVIA

Seselj Calls For Partition of Macedonia [Athens ELEVTHEROS TIPOS 1 Nov] .....	19
Development of Macedonian Foreign Service [PULS 24 Sep] .....	20
Macedonian Justice Minister Gosev Interviewed [VECER 5 Oct] .....	23
Impact of Embargo on Vojvodina Minority Papers [MAGYAR SZO 29 Oct] .....	25
Vojvodina Hungarians, Provincial Minister Meet [MAGYAR SZO 29 Oct] .....	25
Vojvodina Hungarians Report Threatening Letters [MAGYAR SZO 29 Oct] .....	25
Goals of Serbia's Chamber of Commerce [BORBA 9 Nov] .....	26
Krajina Bank Governor Fears Financial Chaos [BORBA 9 Nov] .....	27
Demand 'Great' for Krajina Money by Banks [BORBA 9 Nov] .....	28
Effect of Krajina Dinars on Primary Issue [BORBA 9 Nov] .....	28

## **Destructive Impact of Danube Diversion, Dam**

### **Fish Dying 'in Drove's'**

93CH0138A Bratislava SZABAD UJSAG in Hungarian  
10 Nov 92 p 1

[Text] As of recently, we have read many things about Bos [Gabcikovo], but mostly mutually contradictory statements. Particularly those of us who read several newspapers.... Last week we read stories about rumors claimed to be groundless, according to which fish had died in droves due to reduced water levels resulting from the diverted Danube. Such statements are characteristic mainly of newspapers close to the government, but a photo reporter dispatched by the Slovak press office could not find any mass extinction of fish either. Saturday's edition of NOVY CAS carried a front page photo and report attesting to this fact. In response, yesterday's edition of the trade union newspaper PRACA published yet another front page report: "We were searching for thousands of fish and could not find any...." The truth is that people who sought dead fish at the Bacsfa [Bac] branch of the Danube where the PRACA reporter went, could, indeed, not find any. If for none other: There is no Danube branch at Bacsfa. On the other hand, as shown by this photograph, photo reporter Dusan Kittler witnessed the undeniable signs of fish deaths at Bodak.

We request readers who notice similar phenomena to take pictures and to forward the same to our editorial offices as soon as possible.

[Note: Accompanying photo shows piles of dead fish.]

### **Endangered Drinking Water**

93CH0138B Bratislava SZABAD UJSAG in Hungarian  
12 Nov 92 p 2

[Interview with Darina Liptakova, staff member of the Zoology and Ecology Institute of the Slovak Academy of Sciences, by Peter Visvader; place and date not given: "The Sunken Truth of Bos"]

[Text] *Is the quality of drinking water in Csallokoz going to become stabilized, or is it going to deteriorate as a result of the Bos dam? This is one of the most debated key issues these days. Those who designed the dam claim that no one has reliably proven the negative effects to this date. An announcement last week by Darina Liptakova, an employee of the Zoology and Ecology Institute of the Slovak Academy of Sciences, almost created a sensation (but, unfortunately, evoked no response!). According to her statement, certain research findings that justify fears concerning the quality of the Csallokoz drinking water reserves have existed for quite some time. We inquired: What organizations have dealt with this subject?*

[Liptakova] Based on their measurements, employees of the Pozsony [Bratislava] Water Resources Management

Institute have been concerned about the potable water quality in the Danube shore zone for quite some time. Since the process they dealt with could not be reproduced under laboratory conditions, they were unable to provide factual evidence to support their observations. Processes similar to those taking place at the Kortvelyes [Hrusov] storage dam and in the course of flooding the derivative channel could be seen only during the 1991 flood (which peaked between 4 and 9 August) by analyzing its effects on the chemical composition of ground water between 27 August and 8 October. During this period the Slovak Ministry of Forestry and Water Resources Management and the Slovak Environmental Protection Committee provided a certain amount of money to the Water Resources Management Institute to examine and evaluate changes in the potable water quality in the Danube shore zone.

[Visvader] What were the results?

[Liptakova] The physical, chemical, and hydrochemical characteristics of ground water showed a negative change. Damaging these resources would cause significant financial loss, because equipping, but more importantly, operating water quality improvement facilities to process 3,000 liters of water per second (one could call it a water factory) would require significant funding—amounts that could not even be recovered from prices charged for energy produced by the Bos power plant. While under present conditions there is no need to improve the water quality (all they do is disinfect the water), the changed circumstances would require Grade-3 water quality improvement. This would involve so-called activated carbon filtering. This technology is used to treat surface water. Ground water quality once again improved shortly after the flood receded, and this shows the excellent regenerating capability of the entire flood zone. Nevertheless, we must make people aware of the fact that as a result of operating the Bos dam we must count on long-term changes in hydrological and hydraulic conditions, and subsequently also in water quality.

[Visvader] The results of such tests are inappropriate from the standpoint of a government that encourages completion of the dam based on the C variant.

[Liptakova] This is why these results have never before been published, and why they are still being kept secret. This is proven by the fact that although several alternatives existed for damming the water that would drive the Bos power plant, they chose the temporary C variant, which disregards these important test results. This is why the C variant is the worst choice from the standpoint of Csallokoz's potable water quality. Nevertheless, they are implementing it based on positions of power held by some people.

And the above-mentioned obvious results that do not prove the potates correct were sunk in the depths of desk drawers....

**Csurka Commentary on Anti-Goncz Demonstration***93CH0080A Budapest MAGYAR FORUM  
in Hungarian 29 Oct 92 p 2*

[Editorial by Istvan Csurka: "Live Broadcast; The Week in Context"]

[Text] This article contains, among other things, a speech in parliament that was delivered at a discussion about the week's greatest event. The week's greatest event was the "shutting off." The Danube was shut off at Dunacsuny, and Arpad Goncz was shut off at Lajos Kossuth Square. The two events are only seemingly unrelated. In fact, both of them are a consequence of the fatal, postcommunist weakness of Hungarian society. It is a weakness and a disease that Hungary has a president today who can be drawn into daily politics, who can be booed at, and who can only be defended to some extent by the television and press mafias he supports who present the booing as the work of a few skinheads. It is also a fatal weakness that as a consequence of a dirty, antinational, irresponsible contract and the negligence of the Kadar era, now not only the Hungarian Government, but also the entire society is powerless, faced with the aggression on the Danube, because it can neither generate considerable international support to defend its position, nor can it muster a force of its own that could deter the shutting-off aggression.

The government, inching its way towards democracy, inherited both weaknesses. The position of the president is unstable because his election was preceded by a series of reform-communist and free-democrat maneuvers—a referendum with deceptive questions (1989), a coerced parliamentary and party pact, and a second, completely superfluous and failed referendum—and by the time parliament elected him president with a huge majority, it was almost apparent that his election entailed channeling part of the power to a certain party. One could, of course, expect Arpad Goncz to exercise his power over the parties according to the letter and spirit of the Constitution, and the statement by the government demands him to do so now. However, backed by the party pact, he is actually not motivated to do so. This is just like in the Kadar regime: "If you scratch my back, I'll scratch yours"; on the one hand, there are the laws, on the other, understandings with each other.

This is now over: The crowd that turned out on Kossuth Square no longer understands, but rather it demands the resignation of the president. So far, in vain. It is also a legacy of the Kadar regime that the people with their justified demands are so weak, and the media can easily distract them with a few German military or Arrow-cross [Hungarian nazi] uniforms cut in at the right place.

The speech in parliament:

On 23 October on Lajos Kossuth Square it was not the institution of the president of the Republic, and not even the person of the president that was unmasked, but rather a postcommunist political regime that is alien to the people.

The president of the Hungarian Republic stood there in front of tens of thousands of people, all by himself, defenseless and pitiful, forced to face the fact that the "celebrating public" does not see him as he sees himself. By organizing deceptive political campaigns and blockades, by extending its political positions, which had been acquired through pacts in an arbitrary and anticonstitutional way, and by utilizing its monopoly position in the press and the media, this political regime, which is alien to the people, has since 1989 actually been preparing a communist restoration that can be designated by any adjective.

This political regime is trying to repress the natural demand of the people for the truth by monopolizing the ideals of Europe, democracy, and liberalism, but to no avail; it has become apparent to a very broad spectrum of people that the real issue is the acquisition and retention of key positions in the new order, in the evolving market economy. This power is based on the possession and extension of positions in the system of cultural institutions and mass communication.

By now it has become apparent that our quiet revolution, which started four or five years ago, is not over; moreover, the question now is what the result will be. Will it come to pass, or will it be obscured by lies?

This dramatic question was present on 23 October on Lajos Kossuth Square. It is utterly useless, artificial, and offensive to regard this expression of opinion as the work of only a few young men wearing the insignia of an era deplored by all of us, and thus to disqualify the dissatisfaction and expression of opinion that is present in broad circles of the nation. This method has been well known since the memorable 23 October radio speech by Erno Gero. The people were designated sinful, mob, scum, and fascist horde, while the members of the secret service who carried out massacres were awarded medals and given confiscated property. The trick is the same this time as well. Take a sliver of the whole, magnify it, make the public believe that its objectives are identical to those of the small group. And, finally, suppress the people's revolt against you, silence everyone who does not want democracy in the selfish and biased way determined by you, and who does not regard your usurpation of economic and political power as just.

These youths have already been persecuted for having long hair, for growing beards, for demonstrating on 15 March, for having their own musical tastes, and now, because the clothes of some of them remind one of Arrow-cross or German wartime uniforms. This is regrettable and sad, but it only becomes dangerous if we continue to marginalize these young people, if we fail to start a dialogue with them, and if we do not realize that this phenomenon—which is, by the way, universal—is due to the weakness of democratic institutions.

It would be desirable if everyone took the consequences from the event on Kossuth Square and came to his senses. The blame for shutting off Arpad Goncz, which occurred



at the same time as the shutting off of the Danube, lies with those who are forcing the politics of restoration outlined above.

The opposition between the government and the president, and between the forces behind the government and the president, is an undeniable fact since 23 October. This in itself is a scandal fraught with special hazards, which endangers the entire society, the democratic development, and the future of Hungary. But there is much more at stake here. If things continue in this way, Hungarian society will split not only along this fault line, but along a much more tragic dividing line in the future. There are already undeniable signs that the dissatisfied people, weighed down by heavy burdens, are withdrawing, are turning their backs to the institutions, and surround themselves with a way of life in which they do not shape but only endure history. These ways of passive resistance ultimately lead to a formula, unfortunately well known in Hungarian history, in which there is, on the one hand, the intertwined power elite, on the other hand, the man in the street resigned to his fate who is forced to look for loopholes, forge the means of quiet sabotage, work only for the home that is more and more difficult to maintain, and wait. This is not democracy, not a change of destiny; this is squandering the opportunity that opened up for Hungarians amid world-wide changes.

The shutting off on Kossuth Square raised its voice against this destiny. This is the most serious warning for everyone that things cannot go on in this way.

And from now on responsibility lies with those who, led by their selfish interests, do not heed this warning.

#### **Contributions to Csurka Foundation Reported**

93CH0080A Budapest MAGYAR FORUM  
in Hungarian 29 Oct 92 p 2

[Statement issued by Istvan Csurka and the Board of Directors of the Hungarian Way Foundation: "Acknowledgments by the Board of Directors of the Hungarian Way Foundation"]

[Text] As evidenced by the continually arriving bank statements, our supporters send on the average 100,000 forints a day in 100-forint contributions to the account of the Hungarian Way. A detailed breakdown of the contributions is under way. The Board of Directors of the Hungarian Way Foundation is thankful with great respect for the contribution of every single donor. We ask our supporters to continue in the spirit of generosity, disseminate our common ideals, and recruit further "voters" for the Hungarian Way.

Our foundation will soon start its official operation, the organization of Hungarian Way circles, and the establishment of relations between them.

We are certain that our united effort will not, cannot, be in vain.

Thank you! Thank you! Thank you!

Istvan Csurka and the Board of Directors of the Hungarian Way Foundation

#### **Banking Law Amendments Discussed**

##### **Enforcement Strengthened**

93CH0072A Budapest FIGYELO in Hungarian  
15 Oct 92 p 9

[Article by Adrienne Kurcz: "Banking Law To Be Amended; More Tools for the Supervisory Authority"]

[Text] According to a statement issued by the State Banking Supervisory Authority [ABF], that office was forced to rein in banking scandals without having tools to manage bank crises and without appropriate rules and institutions. Thus, all parties involved—the Hungarian National Bank [MNB], the ABF, and the state budget—paid the tuition for actually or figuratively learning how to handle bankrupt financial institutions. The ABF has prepared a proposal to amend the banking law; the proposal (also) enumerates various kinds of supervisory authority that must be extended or redefined in order to ensure secure banking operations.

"Banks are hazardous workplaces," one could hear well before the bank scandals; later, depositors at Ybl Bank learned well the meaning of that statement. Today there is much talk about liquidity problems at several smaller banks, and one can sense from the way deposit levels change that confidence has increased in commercial banks perceived to be secure. Accordingly, the ABF had every right to initiate amendments to the banking law based on lessons learned from the bank scandals. The present proposal is not final; it is still being reconciled with various ministries and with the Bankers' Association. But based on the types of changes proposed, and by looking at the new paragraphs, one can easily recognize the safety measures deemed necessary and the changes in responsibility and authority to act.

In order to permit a direct tracking of the ownership structure of financial institutions, the ABF wants to adopt the system that works well in the West: Except for non-voting preferred stock, all stock that backs 100 percent of the capital subscribed to must be in the form of registered stock. Establishing a requirement that the capital subscribed to be exclusively in the form of cash—50 percent of which would have to be paid in prior to commencing operations—would be a fundamental criterion to be observed by financial institutions. A provision requiring owners to declare the acquisition of a substantial share in a financial institution capable of influencing the operations of an institution would be supplemented by another provision according to which failure to declare such ownership share would void the underlying agreement.

Henceforth the ABF would authorize banks to accept deposits and to manage bank accounts only if the banks joined the National Deposit Insurance Fund and the related clearing system. The proposed amendments, however, do not, for the time being, specify a deadline by which banks already authorized to accept deposits and to manage accounts must join the fund. A bank could provide

credit or lend funds only if it joined the central banking information system before 31 December 1994—the system established by the banking industry itself. The ABF pins great hopes to the establishment and functioning of that system, and notably to the fact that the picture of prospective borrowers would become more clear, and risks flowing from the lack of knowledge would be reduced. On the other hand, it appears as somewhat of a contradiction that banks are now in the process of cancelling their participation in a previously established information system that maintains records about notes.

The heads of banks would hold primary responsibility for the security of deposits. Selecting the director and the management would be the function of owners; nevertheless, the ABF, too, would want to ascertain the fitness of these officials. Basic criteria for selecting such officials would be a persons' good business reputation, good references provided by the relevant banking interest group, specialized higher education in the field of banking, and actual experience in a financial institution. Accordingly, the fact that the amendments would eliminate the previous possibility of substituting five years of experience in fields other than financial institutions, the central bank or the ABF for three years of relevant experience, would represent an essential change. Some professionals are for, while others oppose requirements that banking leaders be examined for their professional competence in the field of banking. The proposed changes would not resolve this dispute. There is talk, on the other hand, about establishing an ethics committee that would comment on the fitness of banking leaders appointed by the owners of banks, from the standpoint of ethics.

Bank loans for purposes of buying securities that enable the exercise of membership rights in financial institutions would be prohibited by law, because such transactions would be regarded as risky from the standpoint of financial institutions. Banks could grant internal credits only on the basis of the unanimous approval of the board of directors. (Thus far it sufficed to obtain the approval of two-thirds of the directors of the board present.) The proposed amendments would endeavor to ensure the security of transactions by requiring that credit and loans be granted only on the basis of written agreements. Accordingly, in every instance when an owner wants to borrow funds from his financial institution, he would have to comply with procedural rules in addition to restrictions established by law.

"Since the rules presently in force restrict the ABF's own authority, the ABF lacks discretionary and decisionmaking authority if needed," the ABF argues. For this reason one of the cornerstones of the proposed amendments is to provide preventative authority to the ABF in times when disturbances arise in the banking industry. It is the function of the ABF to enhance the application of the law, as an authority to henceforth judge not only petitions for permits but also other documents submitted, to maintain records of financial ventures and bank representations, and to take necessary action as provided for by law. Henceforth, in agreement with the minister of justice and with the Banking Supervision Committee, the ABF could

publish banking supervisory rules and regulations having a broader scope than before, regulating any and all essential issues related to banking operations within the overall activities of financial institutions.

Some bankers believe that financial institutions should not be expected to be able to provide secure, long-term loans as long as the economy is characterized by series of bankruptcies and liquidations, by loans easily turning into bad debts, and by a confused ownership situation. Long-term outplacements could easily place financial institutions into dangerous situations. Under such circumstances financial institutions would expect—and it is questionable how appropriate this expectation is—the ABF or perhaps the MNB to provide greater and more effective support to preserve their liquidity.

Possible measures in the proposal include one that would authorize the ABF to not only initiate but to order the recall of the head of a given financial institution if it discovers a significant flaw in management or operations. Further, the ABF would be authorized to condition the decisionmaking authority of banking executives by making decisions subject to the countersignature of an officially designated supervisor. The ABF could remove staff executives at banks if their outplacement practices and the obligations they assume gravely threaten their bank's ability to satisfy the depositors' and other creditors' demands. In dangerous situations the applicable rules would become more stringent than before not only in regard to banking executives, but the ABF's authority would also increase vis-a-vis the owners of banks. For example, the ABF could restrict the voting rights of owners having an influential share in a bank for a definite period of time, repeatedly and at any time, if the activities of such owner endangered the bank's secure operations.

If a financial institution fails to perform in whole or in part on the obligations established by ABF resolutions, it would have to pay a fine ranging from 500,000 forints to 1.5 million forints. As proposed, the annual fee to be paid to the ABF would significantly increase from 0.12 per mille to 0.2 per mille of the main balance; some bankers believe that this could prompt banks to show smaller amounts than their actual balances and to thus distort information on banks. Henceforth, financial institutions would be obligated to maintain business records suitable for auditing by the ABF. In the event that ABF auditors had doubts about the information provided, they could order audits by independent certified public accountants, whose fees would henceforth be paid by the audited financial institution.

In concurrence with the Banking Supervision Committee, the ABF could, in the future, implement any and all measures specified by law jointly or individually, and repeatedly, if a financial institution was threatened with insolvency, or if the amount of its guarantee fund dropped by 25 percent, or if some other, particularly grave danger arose. In cases involving banks not part of a group of financial institutions, one such measure would be an ABF recommendation to merge with another financial institution, or to sell the stock to another financial institution. If

a given bank was a member of a group of financial institutions, the ABF could order a bank to merge with another member bank of the group or to sell its stock to another member bank. And if the apparent buyer of the bank was not a member of the group of financial institutions, nevertheless, under emergency conditions, it made an offer that was advantageous from the standpoint of the depositors, the owner of the troubled bank would have to sell his stock to that bank. Henceforth the ABF could, in critical situations, obligate financial institutions to dismiss their executives or to restrict the scope of their executive authority. The ABF could designate an ABF commissioner to provide executive direction to a financial institution for a definite period of time, and costs incurred relative to the hiring of such commissioners would have to be borne by the bank in question.

A novel feature of the proposed amendments is that general rules applicable to bankruptcy and liquidation should be applied in bankruptcy or liquidation proceedings against financial institutions, except for provisions contained in the financial institutions law that deviated from the general bankruptcy and liquidation rules. Thus, a financial institution unable to satisfy any of its obligations within 10 days from the due date would be obligated to file for bankruptcy.

#### Bank President's View

93CH0072B Budapest TOZSDE KURIR in Hungarian  
1 Oct 92 pp 1-2

[Interview with Budapest Bank President Lajos Bokros by unidentified reporter; place and date not given: "Banking Law Amended; Lajos Bokros, president of the Budapest Bank, Welcomes the Somewhat More Stringent Plan"]

[Text] *There is lively interest among banking professionals regarding the direction taken by amendments to the banking law. The competent authority has prepared a first draft and has asked for comments from banking professionals and the Bankers' Association. The chairman and president of Budapest Bank reviewed the proposal the other day. What were his first impressions? We asked Lajos Bokros.*

[Bokros] The proposal is very appropriate in manifesting increased stringency. It is hoped that all the lessons that could clearly be learned by now from the failure of the three financial institutions will appear in the form of final rules expressed by law. At the same time, the amendments define the ABF's [State Banking Supervisory Authority] discretionary authority and authority to intervene. This also protects the financial institutions because, as we learned from events surrounding the three financial institutions, some of them condemned the ABF. Some did so because of the toughness of the measures imposed, while others complained about the slowness of their actions. With these amendments the law would also state that the ABF could not be obligated to pay any compensation as long as it remained within the scope of its legal authority. And one could not sue the ABF either. Accordingly, I believe that the ABF's position will be far stronger than before, and insofar as I am concerned, I warmly welcome

this change, because thus far we, the bankers, have always viewed this organization as our supporter and ally against owners whose interests could conflict with those of their depositors.

[TOZSDE KURIR] Any other lesson to be learned from the three bank failures?

[Bokros] I view positively the fact that for the first time it has become clear to society at large that capitalism does not mean a total absence of rules and regulations. The sanctity of private property is not infinite and unlimited. In the banking sector the interest of depositors is more important than that of the owners.

[TOZSDE KURIR] Which changes are most important and most pronounced in the law?

[Bokros] The accurate definition of the extent to which influence can be exerted by the owners of financial institutions and of the criteria for ownership. In the future an ownership share of 40 percent, rather than the previous 50-percent share, will be regarded as influential. In each and every case when an owner wants to borrow funds from his financial institution he must observe not only the legal limitations that have existed before, but also a certain extremely important procedural requirement that is part of the rules of procedure. This requirement is stated in the proposed amendments in the form of a prohibition to borrow funds unless it is based on an agreement. The related documents must be signed by at least two persons, because owners are liable under criminal law for their respective bank's lending activities.

Another very important matter is the requirement to examine the professional, and even the ethical, fitness of banking executives. I would be even more stringent than the legislative proposal, if it were up to me. All the legislative proposal has to say in this regard is as follows: The ethics committee—that still does not exist, but is to be established—of the Bankers' Association must endorse any appointment to an executive position in a bank. I have fully and openly supported everywhere the idea of examining the professional preparedness of banking executives. I believe that the need to examine the professional qualifications of banking executives is self-evident in a country where policemen and firefighters must pass professional qualification tests, and particularly where the professional examinations regarding the stock exchange have worked so well.

[TOZSDE KURIR] Do you believe that a separate code of ethics is needed?

[Bokros] Yes, but before drafting one, the Bankers' Association should also ponder its own role and responsibility. I have already made an initiative at one of the expanded Bankers' Association board meetings to the effect that we should regard the Bankers' Association as a guild, in the favorable sense of that term. The function of such an organization is not only to represent and to enforce the interests of the banking system externally, but also to establish certain professional and ethical requirements regarding its own members.



I regard as our greatest responsibility the external communication of clear information. Great differences exist today between financial institutions insofar as the credibility of the external communication of their balance sheets is concerned. This also applies to monthly reports, because the ABF takes action or does not take action on the basis of these reports. At least of equal importance is the need for the external world to be able to judge the situation of various banks properly. Today the advertising of distorted, or, perhaps, misleading information by a bank about itself—information that can clearly be recognized as such by other financial institutions—draws no consequence whatsoever.

[TOZSDE KURIR] Why don't you raise your voice in such instances?

[Bokros] Because that would amount to destroying the credit of a financial institution. The ABF does not object because it does not see clearly through the background processes. And the lay public has no knowledge in this regard. Under such circumstances only self-restraint limits the broadcasting of unfounded propaganda today. This matter has yet another aspect. We are amazed when financial institutions, which say so many nice and good things about themselves, experience grave liquidity problems overnight; in fact their problems are so grave that they are unable to avoid bankruptcy without the active support of the MNB [Hungarian National Bank].

[TOZSDE KURIR] Is the legal status of banking executives going to change based on the law subject to the amendments?

[Bokros] That will not change; the related problems are rather strictly restricted in theory today. It is appropriate to require that top executives hold great responsibilities. Moreover, at first reading I feel that the proposals are still a bit too lax. Notably: The proposal concentrates on the No. 1 leader, whereas only collective decisions are made beyond a certain scope in financial institutions. This is why I would extend the strict professional and ethical criteria to every leading executive.

#### Other Bankers Comment

93CH0072C Budapest TOZSDE KURIR in Hungarian  
1 Oct 92 p 3

[Article by Aniko Csanady: "Leaders of Financial Institutions on Amendments to the Banking Law"]

[Text] Parliamentary debate over ABF [State Banking Supervisory Authority]-proposed amendments to the banking law is taking place this week. A law providing for the appropriate functioning of the banking system as a whole can be created only by considering recommendations and comments made by individual financial institutions in the course of framing the law. We asked a few banking executives to comment on the pending law as amended.

Banking executives agree that the need for more secure banking operations, the protection of depositors, and the need to avoid insolvency by banks has rendered amending the financial institutions law a timely task. Recent bankruptcies reveal functional disturbances in the banking sphere, and this places great responsibility upon the system that supervises banks, among others. Accordingly, it is understandable that the respective authorities initiated amendments to the banking law based on what they had learned from the functional problems.

In response to questions raised by TOZSDE KURIR the experts stressed that in due regard to the existing situation, more stringent measures have become necessary to more accurately define the ABF's role and to expand, to a certain extent, the scope of actions it is authorized to take. But one must, by all means, avoid a situation in which the strengthening of the ABF's authority threatens constitutionality and a fair amount of freedom financial institutions should enjoy.

Under no circumstance would it be acceptable for the ABF to interfere with banking activities and the exercise of ownership rights without any responsibility and liability on part of the ABF and without available avenues of legal recourse. Direct interference by the authorities is not needed; instead, the need calls for means to direct finances, for better prepared banking professionals, and for an appropriately functioning information system.

Banking professionals also agreed that the fee to be charged by the ABF must not be increased to an unjustified high amount, because such fees would indirectly increase the cost of lending and would result in distorted banking costs and information. High fees would prompt banks to report lower than the actual main balance figures that serve as the basis for calculating fees payable to the ABF.

Certain problems involving interpretation have also arisen. Some new concepts must certainly be clarified, e.g., the membership composition of the so-called ethics committee designed to examine banking professionals, and the way the committee should function. And in general: Is it really necessary to mandate the Bankers' Association to establish such a committee?

The point where extraordinary measures can be taken must be clearly defined, and so does the term "emergency situation." (Incidentally, no emergency situation could justify ABF interference unless the ABF assumed responsibility for its actions, the bankers stressed.)

Views varied concerning a grace period for preparing consolidated balance sheets. Some believe that the introduction of the capital correspondence index should be made mandatory as soon as possible, because uncontrollable outplacements, among other things, hinder the flow of appropriate information to the marketplace. Others, however, believe that based on practical consideration it would be inappropriate to advance the deadline.

### **Kupa on Government Support to Agriculture**

93CH0073A Budapest FIGYELO in Hungarian  
15 Oct 92 p 4

[Article by B.P.: "Forgiven Debts"]

[Text] *People are very interested in what the finance minister has to say in these lean times, when agricultural production is expected to drop by 17-18 percent and food production by 20 percent, and when agriculture is expected to lose 20 billion forints and the food industry expects a loss of 18 billion forints.*

At a Debrecen agricultural conference last week, Mihaly Kupa outlined the kinds of concessions the Finance Ministry could make to struggling farmers, in due regard to all the circumstances. To the extent possible—and that amounts to very little—the ministry has increased and continues to increase state subsidies. Agriculture will receive 4 billion forints more in subsidies this year than last year, and next year it will receive 10 billion forints more, or 42 billion forints altogether.

Preferential interest rates and credit guarantees provided to support work in the spring have been extended to cover work to be performed in the fall. In addition, 1,500 forints in state subsidies per hectare of land may be applied to support the sowing of winter seeds.

In order to reduce the impact of the liquidation wave, the budget will guarantee credits to bankrupt but potentially viable large enterprises, and for the reorganization of food industry enterprises, Kupa announced.

In order to conduct meaningful bankruptcy proceedings and to accelerate these proceedings, one should consider whether there is a need to require mandatory bankruptcy filings, or should such requirements be established only for firms having reached a certain level of indebtedness. It would be beneficial to provide that an agreement by the majority of the affected parties suffices for reaching bankruptcy agreements, etc.

Loan consolidation must be accomplished as soon as possible in order to increase the banks' sense of security and their willingness to grant loans; this requires a comprehensive loan guarantee system. But even until then, the ratio of produce versus business financing must be increased, simply because agricultural produce serves as tangible collateral for loans. To help accomplish this, a broadly based public warehousing system must be established because produce stored in such warehouses serves as collateral to creditors.

Consistent with the classic proverb that holds that an ounce of common sense is worth a ton of theory, the finance minister announced that in the course of bankruptcy proceedings state "revenue collectors," such as the APEH [Internal Revenues Service], the TB [Social Security], the AFI [State Development Institute] and the VPOP [National Command of the Customs and Internal Revenues Police] will write off the amount of interest, supplemental payments, and fines due on debts, and as much as possible, will also reschedule the repayment of principal. In order to facilitate transformation, the ministry will

suspend the requirement to repay developmental subsidies and reorganization loans. Moreover, the minister is going to submit a legislative proposal to parliament to write off the amount of the suspended payments.

Hungary cannot afford more than this! But the Hungarian food industry may be able to remain competitive as a result of the varied concentration of possible state support and by preserving comparative advantages. The most important thing to be done today is to sow and sow seeds on all lands, even on parcels of land set aside for compensation purposes, which, from a legal standpoint, have no owners....!

### **Agricultural Privatization Strategy Discussed**

93CH0073C Budapest FIGYELO in Hungarian  
15 Oct 92 p 23

[Article by Zoltan Laczi: "New Privatization Strategy"]

[Text] Timely issues related to the privatization of agriculture and the food industry were discussed at a conference in Szolnok last week. Dr. Imre V. Csuha, the cabinet chief of the minister without portfolio responsible for privatization, briefed participants on the new privatization strategy to be submitted to the government within a few weeks.

Only 11 percent of state-owned agricultural property has been privatized thus far; they want to increase this ratio to 50 percent by late 1994. Of approximately 90 billion forints in privatization revenues, 30 billion forints came from the sale of food industry enterprises. The privatization of the candy and tobacco industries, breweries, and distilleries is essentially complete.

In summarizing the experience gained thus far, Csuha expressed concern over the successful salvaging of monopolistic situations in certain agricultural branches as a result of privatization; this is why new privatization rules are needed.

A greater role and better opportunities for Hungarian entrepreneurs to buy state-owned property will be stressed along with accelerated privatization under the new strategy. This is a national goal, according to the cabinet chief of the privatization minister. Henceforth the amount of privatization revenues will not be the determining factor, but instead the "positioning" of broad Hungarian entrepreneurial strata. As before, no restrictions will be imposed on Western firms acquiring property, of course.

As compared to cash transactions, they are going to provide more room for privatization methods that do not require cash. They want to sell a majority of the enterprises not as single entities, but in smaller units capable of functioning independently.

But expanding the supply of property offered for privatization is only one of several conditions for accelerating privatization. Together with the new strategy certain techniques to artificially stimulate demand have also been developed. In addition to time payment arrangements, credit certificates and leasing programs will also be offered. They are also planning to reduce the interest rate on E-Loans below the 10-percent level; participation in the



MRP [Employee Stockholder Program] is also going to be less costly, and requirements for guarantees will be relaxed. Encouraging greater participation by Hungarians in privatization is the purpose of all these arrangements.

Not even the most favorable financing programs are worth anything unless they can be taken advantage of in the given economic environment. Interest rates must be reduced therefore. The credit guarantee system is also expected to be established by November.

#### **Generals Comment on Aircraft Parts Problem**

93CH0089A Stockholm SVENSKA DAGBLADET  
in Swedish 4 Nov 92 p 7

[Article by Sune Olofson: "Hungary Mired in Russian Dependency"]

[Text] Hungary has a crying need for spare parts for its defense forces. Since the Soviet withdrawal, Russia has not been particularly willing to supply spare parts for airplanes, helicopters, or armored vehicles. Should Hungary, by good fortune, get the chance to purchase these, it will be made to pay for them with valuable dollars.

"The situation is very serious and uncertain. Our defense forces risk rapid deterioration," said Major General Bela Balogh, inspector general of the Hungarian Air Force.

When Defense Minister Anders Bjorck visited Hungary a week ago, the military leadership in Budapest put this issue on the agenda. Several generals indicated to Bjorck that despite the Russians' withdrawal there remains a problematic dependency on the Russian defense industry. Hungary's defense forces are currently 100 percent a product of the Russian system. Today, this legacy from the past is a burden. The government in Budapest confronts a difficult choice of alternatives.

"We simply cannot afford a rapid conversion to Western technology. To buy an aircraft from Sweden, for example, would have enormous consequences: strategy, tactics, radar, training, simulators, spare parts, documentation, security—all would have to be reviewed and adapted. The whole conception of the Air Force is built around the Soviet Air Force and its support system," said Lieutenant Csaba Kormoczy, chief of the spare parts requisitions office for the Hungarian defense forces.

An alternative to purchasing abroad would be to prolong the life expectancy of the 39 Russian attack helicopters and the 103 MiG 21 and MiG 23 aircraft which Hungary has at its disposal.

"But if we do that we also prolong our dependency upon Russia and its defense industry. Our political leaders must quickly make a decision as to which way we should go. In a couple of years the situation will be untenable," said Kormoczy, who pointed out that Hungary's industry lacks the capability to build its own defense industry. Kormoczy indicated that currently he has an open military trade connection with Russia:

"But it is plagued with uncertainty. It could cease at any time and leave us high and dry. Even a minor shortage of spare parts for our aircraft could put the whole Air Force out of commission."

The Russians told the Hungarians they were prepared to write up a supply contract for spare parts.

"But the Russian military industry is weaker with every day that passes. What Russia is able to produce, it needs for its own defense forces. Many of the Russian companies who formerly supplied us are shut down. It will take a miracle for the Russians to live up to their current obligations," said Kormoczy.

### KLD's Future Political Orientation Discussed

93EP0051B Warsaw PRAWO I ZYCIE in Polish  
No 43, 24 Oct 92 p 4

[Interview with Lech Mazewski, one of the leaders of the Liberal-Democratic Congress, by Zdzislaw Zarycny; place and date not given: "We Are Not Engaging in Conspiracies"]

[Text] [Zarycny] If a party has 2,000 members, of whom perhaps 20 are well known, and this group of 20 cannot even agree on a program, what are we talking about?

[Mazewski] What is characteristic of a normal party and not some idealized "team" is that, on the one hand, it tries to represent someone's interests, and, on the other, it groups people who concern themselves with politics. Politics is a choice, and one can differ in making choices.

[Zarycny] I still remember your campaign of a year ago and Jan Krzysztof Bielecki's assurance that no matter what, the congress does not have to worry about its identity.

[Mazewski] A lot has happened since then. In 1991, the Liberal-Democratic Congress [KLD] had two or three names that had to be reckoned with and two centers—in Gdansk and Warsaw. Today the list of names is much longer. The center in Warsaw is falling apart, and, in Gdansk, it can be said, only sentiments remain. For example, in the entire Gdansk Voivodship, there is not even one mayor today, which is most unusual. But new centers have been formed, beginning with Olsztyn, through Lodz, Poznan, Wroclaw, Katowice, and Krakow, and ending with Bielsko-Biala. All of them have their own representatives in the self-managements and are strongly supported by local business. That is a completely different map, just as is the congress today, not at all like it was at the beginning of 1991, when we traveled from Gdansk to Warsaw on the famous "Kaszub" express train.

[Zarycny] What, then, is the problem?

[Mazewski] First, the actual pluralism that prevailed in the KLD is not reflected in the arrangement of authority in the party, in the mechanisms for decisionmaking. The hitherto leaders, the "founding fathers" of the KLD, have not been able to solve this problem and fulfill the aspirations of the new centers. The congress is a party that is alive, a party of young people, who want something, who have skills and ambition, and who are naturally seeking their place in the party's structure. To ignore this trend may lead to all kinds of surprises: One of them was the election of Jan Pamula as chairman of our parliamentary club, and Donald Tusk's defeat. Second, a serious ideological dispute arose in the congress on how we are to represent the interests of the middle layer, which is our basic electorate.

[Zarycny] What do you have in mind?

[Mazewski] I will use the German example. In Germany, as we know, there are two liberal parties—one small, one large. The small one is named the FDP [Free Democratic Party], and its politics are more or less this: economic liberalism; state liberalism, in the sense of putting

emphasis on citizens' rights and freedoms; and philosophical liberalism. Nine percent of the voters are behind the FDP, but this is thanks to Genscher. Without him there would be 5 percent or even less. There is also another liberal party, the CDU [Christian Democratic Union], out of which came Adenauer and Erhard, creators of the German economic miracle. The CDU also promotes economic and state liberalism, but it rejects philosophical liberalism and comes out in favor of conservative, Christian values. The question the KLD faces is: What kind of liberalism do we want? The liberalism of the FDP, with the same or a smaller chance of its taking hold in Poland, or a liberalism similar to that of the CDU, respecting Poland's history, traditions, the role of the church in public life, and so forth?

[Zarycny] You would prefer...

[Mazewski] Obviously, the second version. The KLD could then become the core of a coalition of forces of a moderate Polish right wing.

[Zarycny] You are using the German CDU as an example. Janusz Lewandowski reminds us that we are the children of the European Enlightenment, and so forth. Isn't that a rather exotic dispute in the present stage of building capitalism in Poland?

[Mazewski] I do not agree with you. This dispute is of fundamental importance. In my opinion, capitalism should be for everyone who shares a specific economic vision, regardless of his outlook on life. If, however, we believe that capitalism can have only one—liberal—justification, in the world-outlook sense, also, then we are drastically reducing the number of people interested in a market economy. From that viewpoint, this is not in the least a dispute that is academic. This is a dispute on how to build a political base for a procapitalist transformation in Poland. To what incentives, to what reason are we to appeal in order to build and defend capitalistic order in Poland? To only and exclusively the liberal ones, or can we also seek justification in a broader spectrum?

[Zarycny] To simplify, the dispute is actually only between you and Janusz Lewandowski. After all, both of you are the main and perhaps the only KLD ideologues.

[Mazewski] Precisely so. Our other colleagues—this is not their opinion, only a fact—do not concern themselves with these kinds of inquiries. They know Janusz Lewandowski's position, or mine, and concern themselves with something else. For me, however, it is of primary importance that the viewpoints I represent become a part of the KLD's program.

[Zarycny] Only that much?

[Mazewski] For Janusz Lewandowski, that is enough! Because, if that were accepted, certain practical effects would have to follow—for example, determining a liberal minimum below which one could no longer be in the KLD. Naturally, I do not think there would be any difficulty in defining what is to be a liberal or a procapitalist economy and a freedom ethos in the sense of a standard of citizen's

rights and freedoms. On the other hand, a liberal minimum is definitely not a question of abortion or religion in the school; neither is it a model of Poland's participation in the integration of Europe. We should accept a minimum that would allow all kinds of people to function in the KLD and respect their identity. The KLD, in accordance with its name, must become truly liberal—that is, heterogeneous and recognizing heterogeneity. I came out with such a vision of the KLD at its Second Congress—that is, in May 1991.

[Zaryczny] Obtaining the support of three delegates.

[Mazewski] Today it looks better. It is hard for me to calculate—the national program conference on 24-25 October in Gdansk will show this best—but it is not, as RZECZPOSPOLITA said, that the only reason I am not leaving the KLD club is that I would end up being absolutely alone. The course of events in the parliamentary club and outside of it shows that that is not so. Donald Tusk actually does not get out of his car when he visits the chapters of the KLD. He would not do that if I were really alone on this.

[Zaryczny] You do not fear a repetition of the "Hall syndrome" and that constant question "When will Lech Mazewski leave the KLD?"

[Mazewski] I do not know why you are directing this question at me. I have no intention of leaving. On the contrary, I intend to be an active presence, and in various roles.

[Zaryczny] In the role of leader, also?

[Mazewski] And why not, if 51 percent of the delegates at the Gdansk conference support me?

[Zaryczny] The cards will be dealt on the table in Gdansk?

[Mazewski] That question refers to the 51 percent. If it is there, I will not withdraw. If it is not there, nothing bad will happen. Sir, right now I am a professional politician, and I cannot escape from my opportunities by saying, for example, "immature," "unsuitable," and so forth because then I would have to stay in Gdansk and write articles. Let us treat this seriously! I will give consideration to this in Gdansk in a couple of days. Today what is important is that, despite a dramatic discussion, the national board of the KLD saw nothing wrong with the fact that a certain number of party members meet in Poznan or Warsaw and agree on a joint position regarding the program conference. After all, we are not taking any steps to institutionalize this group. This would be contrary to our statute, and we are not engaging in any conspiracies.

[Zaryczny] But in the Sejm's cloakrooms it is being said that your initiatives within the KLD are part of a broader campaign, prepared jointly with Aleksander Hall and the Kaczynski brother. Its goal is to create a new arrangement of forces on the Polish political scene.

[Mazewski] You know as well as I do that two years ago, when the so-called post-Solidarity parties were being formed, it was mainly according to such criteria as: for

Walesa, against Walesa, against acceleration, for acceleration, and so forth. These criteria today are a total anachronism! What do I now care about the problem of acceleration or support for the Mazowowiecki government? It is obvious that the present arrangement on the political scene must be much clearer and ensue from answers to questions reflecting real interests and social conflicts.

[Zaryczny] Which of these questions is most important to you?

[Mazewski] If at this time we regard ownership transformation in Poland and the building of a market economy based on private ownership to be fundamental, we must explain to ourselves how we are to do this. This brings forth such questions as Poland's place in an integrating Europe, as well as whether a cultural transformation in Poland is to occur in a world of values of the French Enlightenment, or in a world filled with moral and Christian values, and in Poland these are the values of the Catholic Church. I prefer our world, maybe a little conservative, and this does not at all mean that Poland is to become clericalized or that I am an agent of Cardinal Glemp, that I am in the employ of the Episcopate, and so forth. A market economy simply cannot be defended by effectiveness alone. It is easier to make a case for this order by making it part of the traditional values, of patriotism, of national pride.

[Zaryczny] Do you perceive similar, conservative-liberal orientations in other parties?

[Mazewski] Yes. I think, for example, that the Hall group is the "it." I also talked on this subject with Pawel Laczowski, who argues that the Christian-Democratic formation is not the best idea for politics in Poland. As a matter of fact, in the Christian-Democrat Party, they feel more like conservatives.

[Zaryczny] You put the KLD in the position of making a choice: go with the Polish Convention—that is, with Hall and Laczowski—or with the Democratic Union of Professor Geremek and Barbara Labuda.

[Mazewski] You put that very accurately. In politics, that is really the choice.

[Zaryczny] "That is what you wanted, Grzegorz Dyndalo [a Polish expression meaning: you brought it on yourself]." After all, no one forced the KLD to run in a "troika" with the union and the "Large Beer."

[Mazewski] And after this "run," many KLD members are extremely frustrated. Talk with our colleagues in the local centers. You will not be able to talk them into "merging" with the union. You will hear definite opinions that the KLD should remain separate and stop and think about whether and how it should continue its present arrangement with the union.

[Zaryczny] In general, therefore, the problem is not leadership but the color of the KLD's standards?

[Mazewski] A change in the ideological or political profile is not an abstraction. It is not simply a case that some "smart" politician makes all of the moves, from being in

the Social Democracy of the Polish Republic Party to being in the Christian-National Union, and it makes no difference at all to him as long as he stays on "top." Similar behaviors generally eliminate a person from the political scene. That is not the point. Even this mild change in the profile of the KLD, of which we are speaking here, means that new people have appeared who are demanding such a change and who see this change very concretely—not in infantile terms about vacant positions but about new concepts. Politics consists of meeting these kinds of challenges, of initiating matters, ideas, and the concept "I am fighting for them, and I lose or win with them." Otherwise, a politician becomes a fishmonger.

[Zaryczny] And that is why politics "stinks"?

[Mazewski] I reject political deals designed strictly on the basis of "something for something," "I will not kill you, you must not kill me, let us do business." It was not for that that I filled the Polish newspapers with my articles for the past six months, explaining what I mean and what the game is all about for me. Very simply, I have a certain concept of politics, and I want to practice those politics. The transformation of the KLD from "Bielecki's team" into a modern, conservative-liberal party, is, sir, a fascinating process. And I want to be part of it.

[Zaryczny] Thank you for the interview.

#### National Guard Formation Concepts Discussed

##### Milewski Comments

93EP0052A Warsaw POLSKA ZBROJNA in Polish  
19 Oct 92 p 2

[Article by Minister Jerzy Milewski, chief of the National Security Bureau: "The National Guard: Its Concept and Premises"]

[Excerpts] Work is continuing on a project to establish the National Guard and to determine its future operating principles. For a long time now, attention has been drawn to the need to establish this kind of defense formation. That is because the changes in Poland's political and economic system and the attendant restructuring of the armed forces, the Border Guard, and the police have restricted the possibilities for accomplishing objectives relating to domestic security.

In view of its presumed apolitical nature, the military should not be used to solve such problems. As for the police, on the other hand, they lack reserve forces organized on the military model and provided with the necessary equipment. Civil defense, in its turn, does not include specialized technical-rescue subunits for counteracting natural disasters, facility breakdowns, and other peacetime perils. The principal purpose of the National Guard would thus be, speaking in general, safeguarding the nation's domestic security.

Establishing such a formation is also suggested by the experience of other countries. Most of them maintain defense units similar to the U.S. National Guard. [passage omitted]

\*\*\*

The objectives of the National Guard in Poland should include in peacetime: the defense of important administrative-state facilities and diplomatic missions; assistance to the Border Guard and, as the need arises, to the customs services; the safeguarding of the security of important foreign visitors; participation in the maintenance or restoration of public order and security; the elimination of the consequences of natural disasters, facility breakdowns, and other perils; and participation in rescue and evacuation drives.

In wartime, the National Guard would support the actions of operational troops. The National Guard would be part of the forces of public order, but it would be an independent formation organized on the military model. Within it would be created both centrally directed units and units directed at the regional and voivodship levels (depending on the concept of the country's administrative division).

The forces of the National Guard would be subject to the president of the Republic of Poland. They could include specialized rescue battalions.

The National Guard could be formed in two stages. The first stage would consist of establishing centrally directed units on the basis of re-formed Vistula units of the Ministry of the Interior. The second stage would consist of organizing units directed at the regional and voivodship levels. The institution providing the National Guard with weapons, equipment, and personal gear would be the Ministry of National Defense.

It can be hoped that the idea of establishing the National Guard and the related organizational proposals will meet with a hospitable reception from all of the political forces. A rapid and efficient establishment of the National Guard is in the interest of our common security.

##### Newspaper Comments

93EP0052B Warsaw POLSKA ZBROJNA in Polish  
19 Oct 92 p 2

[Untitled article by POLSKA ZBROJNA editors]

[Text] It is certainly good that the chief of the Bureau of National Security commented on the topic of the so-called National Guard. That is to be welcomed not just because the authorship of that idea is ascribed to the Bureau, but also because the inventiveness of journalists conferred great publicity on this topic, in a manner that has not always been conscientious. In some newspapers, an understandable desire to make them more attractive to the readers took precedence over objectivity.

As a result, an entire spate of articles has been published in the nation's press to the effect that the president of the Republic of Poland is already establishing—through the mediation of the Bureau of National Security—his own army, and not in the least just a palace army at that but one that is to be a strong military formation consisting of several divisions, mobile, capable of rapid response, excellently trained, and equipped with artillery, tanks, aviation, and so forth. According to the press strategists, these



armed forces, to be subordinated solely and exclusively to the president, would be, in his hands, an instrument enabling him to exercise unlimited power and then, should he deem it fit, to replace democracy with a presidential dictatorship.

Is it surprising that such an interpretation of this issue can perturb public opinion?

The truth is quite different. What has been publicized as the supposedly most guarded secret of the Belweder, what has been presented to the public as sensational news, is neither a secret nor sensational.

This is also proved by Minister Milewski's article published above, which reduces the whole thing to its proper dimensions.

Above all, this is neither sensational news nor a revelation by enterprising journalists of some clandestine intentions of the president, the Bureau of National Security, and the Ministry of National Defense because the question of establishing a formation that would strengthen domestic security has been considered and discussed for a couple of years, and publicly at that, at least as far as its basic assumptions are concerned.

Of course, the specific nature of this issue is such that not all of the details of the concepts in question can be discussed in the mass media, but no one has been keeping the crux of the matter secret from public opinion. Suffice it to peruse the issues of *POLSKA ZBROJNA* in order to ascertain this.

Almost from the moment this newspaper began to be reissued—that is, for more than two years—we have been presenting various concepts of such a formation, confronting them with the solutions adopted in other countries and pointing to their advantages and disadvantages. Moreover, this has been done by knowledgeable writers, chiefly, though not exclusively, officers in the Polish Army. The recent press revelations on this topic are thus simply opening a barn door that is already open.

That is one thing. For another, all that has been written on the subject of the National Guard, on imputing that the related decisions have already been made and all that remains is to watch how they are translated into reality, has been borrowed—in a selective manner, besides—from just one of the many related proposals that has, moreover, not yet been completely refined.

Many such ideas have already appeared, starting with the concept of the Home Army, advocated by the KPN [Confederation for an Independent Poland], which was to be the rear echelon of operational troops, through proposals for expanding paramilitary organizations and ending with the concept of the *levee en masse* or the national defense units first established in 1937, which made a significant contribution to defending Poland in 1939.

The most publicized concept in recent days is but one of several. It certainly is not the sole one, and it certainly provides no basis for any actions serving to translate it into

reality. Clearly, this also ensues from Milewski's article, whose very first paragraph states:

"Work is continuing on a project to establish the National Guard and to determine its future operating principles."

Yes, this work is continuing. And it is concentrated, as should surprise no one, at the Bureau of National Security. At the same time, no one has yet stated that this work has been completed or even risked naming the deadline for its completion.

That is because it is a complicated matter that requires the prior elucidation of many questions, not just structural-organizational ones but also political and institutional ones, which undoubtedly exceeds the competence of the experts of both the Bureau of National Security and the Ministry of National Defense.

This is confirmed by even a cursory analysis of the project, which has become the seedbed for a spate of sensational articles. It signalizes certain problems but does not, because it cannot, provide specific prescriptions for their solution.

The first of these problems is the question of under whose jurisdiction that formation is to be. Before that is clarified in a manner leaving not a shadow of doubt, the institutional system of the Third Republic must be clarified in the same manner. But that will occur only after the passage of the new Constitution, which we are awaiting. The jurisdiction under which the National Guard, irrespective of whether this appellation survives, is to come will depend on a corresponding provision in the new Constitution. That is so in the entire normal world, and that is what it should be in the Poland returning to it.

Minister Milewski's statement, "The forces of the National Guard should be subject to the president of the Republic of Poland," should thus be interpreted, at least in our opinion, as conditional and presupposing such and no other decision of the parliament. But this is not a foregone conclusion. The minister simply confined himself to interpreting the nature of one of the related proposals, specifically the one that has gained such publicity, although the president of the Republic of Poland himself so far does not know anything about it, according to his press spokesman.

There are also other questions:

—On what principles will the tables of organization of the National Guard be based? Will the National Guard induct conscripts, and, if so, what kind and on the basis of whose decision? Or will it perhaps recruit reserve military personnel following their basic military service? Would this not mean that it would be a professional military formation?

—When, in what situations, and on the basis of what regulations can the forces of the National Guard be mobilized? Who will be empowered to make this decision at the central, regional, and voivodship levels?

—What will be the composition, armaments, and equipment of that formation?



- What will be the place of this formation after the already prejudged idea of establishing regional defense units is implemented?
- The assumption that "in wartime the National Guard will support the actions of operational troops" implies a need to train the guard and prepare it for related tasks because these matters cannot be separated. So, then, how will this issue be resolved?
- Will the outlays on maintaining the National Guard burden the already miserly and deficit-ridden budget of the Ministry of National Defense, or will they be a separate line item in the State Budget?
- What should be done to prevent public opinion from ascribing eventual activities of the National Guard to the Army, which to this day is handicapped by the burden of the past, when the then omnipotent Communist Party treated it as an instrument to enslave the society, and which, as Minister Milewski has rightly stated, should not, in view of its apolitical nature, be used to implement objectives relating to domestic security?

Several similar questions could also be asked, but those above should suffice to shed light on the complexity of the problem. Hence, a great deal of work has yet to be done in order to combine the many proposals being considered at present into a single cohesive and logical whole that would dispel all doubts and be presented to the parliament. In this case, there can be no question of discoveries of flaws and loopholes such as become revealed in the stage of parliamentary debates of many other legislative acts.

Nothing has yet been definitely concluded, aside from the most important point—namely, that establishing a formation of this kind, although, clearly, we can have only one army, is indeed in the interest of our common security.

The work on the concept and premises of such forces is being continued. Disturbing such work by publishing revelations based on the preliminary assumptions of one of the proposals, that decisions have already been made, in secret, without informing the public and the parliament, merely complicates and delays the accomplishment of this objective.

#### **Status, Future of Arms Industry Discussed**

93EP0054A Warsaw POLSKA ZBROJNA in Polish  
19 Oct 92 p 4

[Article by Artur Bilski: "On the Polish Arms Trade: Disarm That Mine"]

[Text] It is not news that the Polish arms industry is in disarray. In addition to purely technical reasons, which in many instances disqualify our equipment on the international markets, the immense competition and strong political protectionism work to the disadvantage of our arms industry. The absolute absence of a program of action in the new conditions is demonstrated by the fact that the international promotion of Polish arms is handled by a company that, until recently, did the advertising for Polish...folklore.

#### **Export and Import**

Beginning in 1986, Poland has annually been exporting arms worth \$92 million, which, jointly for four years (data only until 1990), yielded \$462 million. For comparison, over the same period, Czechoslovakia exported arms worth \$1.674 billion.

Our arms imports were much greater: \$1.057 billion in 1986, \$1.007 billion in 1987, \$1.147 billion in 1988, \$1.179 billion in 1989, and \$1.330 billion in 1990. Altogether in those four years, we spent \$4.719 billion importing arms. These figures, published in the SIPRI (Stockholm International Peace Research Institute) Yearbook in 1991, symbolize the amounts spent on arms purchases primarily in the former socialist countries belonging to the former Warsaw Pact.

Jan Straus, the director of Cenzin [Central Board of Engineering, the government arms trading agency] at the Ministry of Foreign Economic Cooperation, declined to provide any data on Polish arms exports and imports in the past two years. But at least it is known that our principal arms customer was the former Soviet Union, and, as recently as last year, we shipped arms worth \$244 million to it. But we did not get paid for those shipments, and that market is going to remain lost for a long time because the Russians themselves are having problems with their arms "surpluses."

#### **What a Voivode Is Permitted To Do**

The situation of the arms industry can be compared to that of an aircraft in flight whose engine is in trouble because of fuel depletion and whose safe landing, known colloquially as "restructuring," is located farther than could be assumed by anyone. As a result of this situation, arms enterprises are fated to experience a perilous "midair refueling." This concerns, of course, attempts to sell arms at any price, often bypassing the laws in force, just to obtain some funds, if only to pay wages to the work force. And the work force, or the crew of that aircraft, is numerous because employment in the arms industry exceeds 100,000.

Nearly one-half of the enterprises producing for defense needs operated at a loss in 1991. Best off was the shipbuilding industry, and worst off were the aviation and the tank industries. The volume of sales in 1991 exceeded 20 trillion zlotys.

That arms producers must explore markets outside Poland is demonstrated by the fact that the 1992 budget of the Ministry of National Defense earmarks for purchases of new equipment only half as much as was allocated last year. Even then, however, in view of the budget deficit, that appropriation, too, may be slashed still further.

Thus, there remains a substantial arms surplus and considerable production capacity, and the problem of what to do with them. Such a situation prompts measures that often produce deplorable results. Suffice it to mention the contretemps encountered by the Radom Lucznik Plant [when its representatives were arrested in Germany for

trying to sell arms illegally] or the accusations that Cenzin is engaging in illegal arms trade with Iraq.

#### **Anyone Can Be an Arms Dealer**

All that is needed is to show the Ministry of Foreign Economic Cooperation a copy of an agreement with arms producers and documents, proving that a buyer has been found. At present, 51 companies have arms trading permits, but only 13 have actually concluded contracts.

Actually, there are only three major arms dealers on the Polish market, all of them joint-stock companies in which the Treasury owns shares: Cenrex, CHZ [Foreign Trade Center] Bumar, and Cenzin, which acts as a middleman for nearly one-half of Polish arms exports.

But not all foreign orders can be placed. The Polish blacklist of countries to which arms exports are prohibited comprises two categories, A and B. List A names seven countries for which total prohibition on arms sales applies: Afghanistan, Burma, Mozambique, San Salvador, Somalia, Sudan, and Taiwan. Currently, Iraq and Yugoslavia have been added to that list. List B contains five countries to which arms can be shipped only with the consent of the Ministry of the Interior: Iran, Israel, Libya, Syria, and the Republic of South Africa.

In the opinion of Director Straus, our arms exports this year will exceed \$140 million. This is not much considering that the United States, the leader in arms exports, is exporting nearly \$9 billion.

#### **What the Producers Say**

Producers are most embittered by the limited interest shown in their output by both the government and the Ministry of National Defense. In the latter case, the rationale is the ministry's modest budget, which barely suffices to keep up with current needs. The lack of funds also renders impossible an effective restructuring, at least for some enterprises.

The arms industry itself, which has until recently been passively waiting for help, now seems to realize the gravity of the situation and is trying to do something about it. The Bumar-Labedy Machinery Conglomerate in Gliwice was the first plant of its kind in postwar Poland to reach an agreement with its creditors and now has a chance to get back on its feet.

Marketing expert Zbigniew Slowinski said that the company's situation is difficult but not hopeless. It is setting aside some of its receipts from current sales to satisfy those creditors who refused to enter into an agreement with it.

According to representatives of Bumar-Labedy, this plant is capable of manufacturing up-to-date equipment for the needs of the Polish military upon cooperating with Western suppliers, the more so considering that companies the world over are showering on it various offers of cooperation and proposals for providing tank components.

For the Bumar-Labedy plant, the Military Arms Fair organized in Sopot afforded an occasion to demonstrate its solidarity with other arms enterprises.

To many Polish arms enterprises, that fair, first organized a year ago, plays the role of a blade of straw caught by a drowning arms industry because at the moment there are no other opportunities for advertising the offers of Polish producers.

Eng. Jacek Kowalski, representing the Mesko Metal Works in Skarzysko-Kamienna, a maker of ammunition, fuse systems, and missiles, has characterized his plant's presence at the fair as being of a demonstrative nature. The Mesko plant has for a long time now been experiencing financial problems because of the lack of markets for its products and the insolvency of our military. It used to be that its arms output was the principal source of income to the plant, whereas now the converse applies.

"Thanks to our civilian production, we have a chance to somehow survive," said Engineer Kowalski.

#### **What Prospects?**

The outlook for the arms industry is hardly promising. One way of rescuing it is to try to establish cooperation with analogous Western producers. This pays a dividend in the form of new technologies and the capital needed to modernize production. Whatever else we may say of the arms industry, it has largely to be kept intact, and only the companies that rapidly succeed in adapting themselves to the new market conditions and operate under the pressure of intense competition will have a chance of surviving.

One such example is Unimor Company in Gdansk, a maker of radio stations and radio communications equipment, which established cooperation with Marconi Works in Great Britain. That British company for years has been making products for military needs, providing communications equipment to, among others, British and U.S. military.

The British offer to engage in a joint venture with Unimor, which should most likely take place next year, comprises equipment for satellite communications as well as microwave and tropospheric means of communication.

According to Ms. Krystyna Murawska-Marcinkowska, Unimor's senior marketing specialist, technology purchases are more advantageous to that company, owing to financial considerations.

Interest in Marconi's equipment at the Sopot fair was considerable, although it was not possible to determine whether any contracts were concluded.

It is a fact that the Military Arms Fair was much better this year than last. It can be stated that quite probably this has been a successful fair, and next year it may become a major Polish fair.

According to the manager of that arms fair, many persons representing offices of the military attaches were present at the fair. Ms. Ewa Incz-Grochalska declared that there were more potential arms buyers than last year, and that they were guided directly to the arms plants, where deals were discussed in further detail. It is hard to say whether any specific deals were concluded because the companies are not inclined to make public any contracts signed.

The Polish arms industry employs more than 100,000. Moreover, it is important to our national security. After all, no one of sound mind among authoritative figures in the government is going to condemn the Polish military to costly imports, which we cannot afford anyhow. The Polish arms industry, which resembles a mine, must therefore be disarmed by politicians, who, in this case, will play the role of "sappers." They must perform the operation safely so that no one will suffer.

\*\*\*

Recently, there has been broad discussion of the arms industry in the Sejm, on raising, among other issues, the question of restructuring that industry and providing government assistance to those of its subsectors that have a chance of surviving. POLSKA ZBROJNA has reported on the results of this debate in its issue of Friday, 2-4 October.

#### **Description of Goods Subject to Excise Tax**

93EP0055A Warsaw RYNNKI ZAGRANICZNE in Polish No 122, 10 Oct 92 p 8

[Article by (G.K.): "Regulating the Sales of Products Subject to the Excise Tax"]

[Text] The Law on the Value-Added Tax (VAT) is to take effect along with the Law on the Excise Tax. By now it is known that this will occur not earlier than in the second quarter of 1993. The Ministry of Finance has prepared drafts of two other laws in this connection: the law on affixing Treasury excise tax stamps to products, and the law on the tax on tobacco products, which are to be included in the package of laws on the excise tax.

It has long been argued that sales of so-called high-profit-margin products—that is, those yielding the most revenue to the state budget—should be regulated. Special publicity has been recently attached to the issue of the alcohol, cigarette, and gasoline industries—that is, to commodities that rank at the top of the hierarchy of sources of budget receipts. It is estimated that this year the coffers of the state stand to lose several trillion zlotys [Z] owing to the smuggling of these commodities. To slow down this leak, the Ministry of Foreign Economic Cooperation has long since been presaging the introduction of excise stamps and, in the case of cigarettes and spirituous beverages, the identification of special border crossings for the customs clearance of these commodities. It appears that the presented proposals are finally bringing the moment closer that order is brought to sales of the products subject to the excise tax.

#### **What Merchandise Will Be Marked?**

Although so far only excise bands have been mentioned in discussions of merchandise markings, under the new law on Treasury markings of products subject to the excise tax, logos, stamps, and seals will also be applied. In the future, they will serve as markings for all merchandise whose sales yield the highest profits. By law, such merchandise includes: engine fuels, lubricants, special oils, hunting weapons, passenger cars, playing cards, products of the alcohol and yeast industries (with the exception of yeast),

alcoholic beverages with an alcohol content of more than 1.5 percent (that is, beer and wine also), tobacco products, lottery and parimutuel equipment—that is, tables for roulette, blackjack, and poker; slot machines; and other gaming machinery.

#### **Which Items Will Be Marked and When?**

According to the draft law, this merchandise must be marked even before its sale in Polish territory. In the case of Polish-made merchandise, it will have to be marked before leaving the plant, and, in the case of imported merchandise, at the moment it enters Polish customs territory. In-transit merchandise will not be marked, but its transportation across Poland is to proceed "only under special tax supervision." The enterprise dispatching the in-transit merchandise will have to deposit in advance a surety (at the customs office handling the clearance) in an amount equal to that of the import tax. This is to protect the state against any eventual losses in the event of in-transit pilferage.

#### **Monitoring the Markings**

Both producers and importers will be able to purchase excise-tax stamps at especially designated Treasury offices. In addition, keeping accurate records of these stamps is mandatory. The draft law prohibits trade in excise-tax stamps, and their resale is permissible only in cases in which the purchaser is the Treasury office at which these stamps had been bought earlier.

#### **Marking Expenses**

Two versions of payment for excise-tax stamps are being considered:

- A fee corresponding to the cost of the manufacture and sale of these stamps.
- A fee representing a preliminary (advance) form of payment of the excise tax on merchandise.

The Ministry of Finance is in favor of the former solution as the one less complicated from the standpoint of tax administration. The latter solution may be introduced in the long run. The estimated cost of manufacturing an excise-tax stamp is Z20-200. This concerns chiefly excise bands, for which the demand will be greatest, because they will find application when marking cigarettes (each pack separately) and alcoholic beverages.

#### **Penalties for Forgers**

The draft law provides for a number of penalties, which are fairly rigorous in Polish experience. These penalties will be imposed on recalcitrant importers and manufacturers, but they will not apply to persons not engaging in a related business activity who, whether in good faith or bad, gain possession of products not marked with excise-tax stamps or marked with counterfeit stamps. Accordingly:

- Vendors of products subject to the excise tax that are not marked or bear counterfeit excise-tax markings are liable to a penalty of up to three years in prison or a fine of Z100 million to Z30 billion and the forfeiture of the property constituting the object of the offense.

- Those counterfeiting or altering excise-tax stamps are liable to one to 10 years of imprisonment or a fine of Z5-10 billion plus forfeiture of property.
- The possession of unmarked products or products marked with counterfeited tax stamps carries the penalty of up to one year of imprisonment or a fine and forfeiture of property.

Trade in excise-tax stamps and their resale to entities other than Treasury offices carries the penalty of up to seven years of imprisonment or a fine of Z100 million to 50 billion and forfeiture of property.

The system of marking highly salable merchandise, especially alcohol and tobacco products, with excise bands is engaged in by certain European countries, such as Italy and Spain. Special criminal investigation services established to monitor the use of tax stamps and prosecute counterfeiters are chiefly battling against the problem of the instantaneous printing of continually revised series of "striped stamps." Although under the draft law the minister of finance as the "custodian" of these stamps has the right to alter their records and serial numbers, judging from the experience of other countries this cannot be the sole method of combatting counterfeiters. In the opinion of Antoni Lojewski, director of the section for the importation of spirituous beverages at Agros, excise bands in themselves will not solve, for example, the problem of the adulteration of these beverages, which has recently gained publicity, but intensified monitoring can restrict the presence of merchandise of undetermined origin on the market.

#### Cigarettes Under Special Supervision

Another draft law being prepared by the Ministry of Finance is the law on the tax on tobacco products. Under that law, the manufacture, importation, and growing of tobacco in Poland will be entirely under the jurisdiction of the government. This is intended to tighten the collection of tax receipts. (Over the first half of 1992, the state

budget's receipts from the sales tax on tobacco products totaled nearly Z3.7 trillion.) As experience has shown, neither licenses nor quotas for the importation and manufacture of cigarettes have eliminated tax evasion. That is why the new draft law treats in great detail anything relating to tobacco.

The draft law does not specify the tax rates, but it contains two concepts for determining the tax rates for domestic tobacco products: by quota and by percentage, with both to be combined for imported products, provided that, in this case, the tax may not exceed 300 percent of the taxation base (that is, of the value of the merchandise plus the duty paid). In the case of imports, the taxpayer must deposit with the local Treasury office a property bond in the form of a bank guarantee or a certified check as a guarantee that the future tax obligation will be paid. For the transit of cigarettes across Poland, such a bond has to be deposited with the customs office handling the clearance.

In the case of exports, under the draft law, the Treasury will refund the tax paid by the exporter upon provision of a document certifying the export. Every cigarette package must bear an excise band before being sold. The excise band will be considered proof that the merchandise can be sold, but not proof that the tax has been collected.

The author of this draft law avows that it is intended to protect the interests of Polish producers, tobacco growers, and honest importers. But importers have an extremely reserved attitude toward the solutions being prepared by the Ministry of Finance, with some believing that it favors Polish producers too much—among other things, this is demonstrated by the manner in which the draft law determines the tax rate: The more Polish tobacco is contained in a cigarette, the lower—even down to zero—is the tax rate. They also point out that smuggling is due to excessively high customs duties and sales taxes. For this year, importers have been allocated only 170 million cigarettes, although the quota is 6 billion. The reason: Few are willing to apply for legal imports.



### **Military Accomplishments, Goals Cited in Report**

93P20051A Bucharest ADEVARUL in Romanian  
17 Oct 92 p 2

[Chapter on national defense from the "Activity Report of the Government for the October 1991-October 1992 Period"]

[Text]

#### **National Defense**

The Ministry of National Defense has incorporated its activity in the government's program, having as basic objectives ensuring the stability and capacity of the country's military to carry out its specific missions on a permanent basis, along with the systematic evolution of the military along the path of rebirth and modernization under the political control of the democratic organs of the state. Priority has been given to the following goals:

- the intensive implementation of programs for instructing the troops and preparing them for combat
- preventing the involvement of military cadres in the activities of political parties
- strengthening military discipline and order
- counteracting destabilizing actions
- promoting the transparency needed for the formation of a correct and true image of the Army in society.

Logistical activity has been restructured in accordance with the new economic mechanisms. New, effective forms of social protection for active and reserve personnel have been implemented.

Five draft laws dealing with the organization and execution of the national defense of Romania have been drawn up and sent to Parliament with the approval of the government. Simultaneously, on recommendation from the ministry, the government issued 32 decisions, dealing mainly with the establishment and organization of military academies, the taking over of the material base for the instruction of the national guards, and the approval of military cooperation with armies of other states.

Some central organ structures were reorganized, resulting in the reduction of 700 jobs and a freeze on filling an additional 500 jobs. The national guards were transformed into territorial troops. The National Defense College was established for the purpose of providing advanced training on national security matters for political and military personalities.

The process of rejuvenating the corps of cadres continued, with the gradual transfer to the reserves of 1,824 generals, officers, warrant officers, and noncommissioned officers, and the improvement of standards for assigning the newly promoted cadres to the units. At present, 71 percent of the cadres of the Army are under 40 years of age.

During the past year, 74 officers and generals were newly appointed to command positions in regiments, large units, and central organs.

More than 400 reserve and retired cadres who had been improperly separated from the Army after 1946 for political reasons were rehabilitated by restoring their military ranks and promoting them to a higher rank.

The training of cadres and the instruction of troops were carried out on the basis of restructured programs that ensured that the practical applications of activities would be stressed. Members of the Romanian Government and Parliament participated in the more important exercises and so did representatives of foreign armies, on the basis of reciprocity.

Despite difficulties resulting from insufficient budgetary allocations for equipping the Army, capacities vital for the defense industry were kept in operation, supplying, in 1991-1992, about 75 percent of the technology with which they were equipped. Programs have been initiated for the modernization of technology for artillery units, the Air Force, anti-aircraft defense units, and communications troops.

Army units participated in guard activities to ensure that voting on the referendum for the adoption of the Constitution and for local, parliamentary, and presidential elections took place under good conditions. They intervened to deal with the consequences of the floods in Bacau and Constanta counties, and to extinguish fires in some localities or in forest areas in Suceava, Timis, Galati, Bistrita-Nasaud, and Arges counties.

The Ministry of National Defense has been active in establishing and developing relations with other armies, in accordance with the provisions of the treaties, agreements, and conventions to which Romania is a party. Eight agreements, protocols, and cooperation arrangements were agreed upon and signed with Bulgaria, Greece, the CIS [Commonwealth of Independent States], Turkey, Germany, and Albania. Similar documents are in the negotiation phase with eight other armies. Foreign-relations activities have been directed, in particular, toward cooperation with the armies of Western countries and neighboring states and the development of partnership relations with NATO, the CSCE, and the Western European Union.

Specialists from the Ministry of National Defense were members of the Romanian delegations to the CFE Treaty talks in Vienna and the "Open Skies" talks. Romanian military observers are participating in the U.N. peace-keeping mission in the Persian Gulf, as well as in actions aimed at defusing states of conflict in the Republic of Moldova. Beginning in July 1992, 24 inspection and verification teams were received from 12 states for the purpose of ensuring the application of the Paris CFE Treaty, and the Romanian Army carried out 10 inspections and verifications in other countries.

Some 43 officers and generals were sent to study in other countries and to courses organized by NATO. The Romanian Army sponsored studies for more than 200 students and it trained 900 military men from the Republic of Moldova in short courses.



The difficulties of the transition period have affected the activity of the Army. This has had a repercussion, in particular, on the plans for reorganizing and equipping the Army. The lack of funds and the shortage of housing space—a shortage of 17,000 spaces for the entire Army—have impeded the efficient transition to the implementation of the new structures, though these structures have been approved by the Supreme Defense Council.

The process of modernization and of maintaining the defense capacity of the country at the required level will necessitate, during the coming period, additional efforts to achieve, on a priority basis, the following most important objectives:

- the formulation of an integrated concept of national security
- the approval by Parliament and the promulgation of the package of laws dealing with national defense

- the assurance of budgetary allocations for defense commensurate with the security requirements of our country and with the efforts made in this area by other states in our geographic region
- the implementation of new structures for the Army
- the approval of programs for supplying and modernizing weapons and combat technology
- the resolution of the problem of housing space for military cadres and the improvement of their social protection
- the preparation of conditions for dismantling weapons and combat technology being reduced in accordance with Paris Treaty provisions.

Despite the difficulties encountered, the operational capacity of the Army was maintained during the October 1991-October 1992 period. At present, the Army is capable of carrying out the missions assigned to it. At the same time, as a fundamental institution of the state, the Army stands out because of its unity and stability and enjoys authority as well as the confidence of the entire society.

### Seselj Calls For Partition of Macedonia

93BA01944 Athens ELEVTHEROS TIPOS  
in Greek 1 Nov 92 pp 54-55

[Interview with Vojislav Seselj, chairman of the Serbian Radical Party, by Yiorgos Harvalias in Belgrade; date not given: "We Must Parcel It Out"]

[Text] *Vojislav Seselj!!! At the sound of his name fear spreads among Albanians and Muslims. But the leader of the major opposition party in the Yugoslav federal legislature does not care. Nor does it care that his name heads the famous list of war criminals put together by the United Nations.*

*With 33 seats in today's federal legislature, Seselj was the big surprise of the last election, and now hopes to increase the number of his seats during the 20 December election, although he admits that "it is too early for him to win a majority and come to power." Many feel that his mere presence in the legislature lowers the prestige of the institution. Well known is the incident he caused when a female deputy from Montenegro said that "she was afraid when persons like Seselj are in the legislature."*

*Seselj grabbed the microphone and replied in front of the astonished legislators: "Unfortunately, dear lady, your problem cannot be solved in this chamber. But, there are many male escort services in Belgrade!"*

*That's the kind of man Vojislav Seselj is. Unrestrained, direct, fanatical in his beliefs, and possibly dangerous. But be that as it may, he now represents a significant segment of the Serbian electorate.*

*We met him a rainy evening at his headquarters in the center of Belgrade. The offices of his Serbian Radical Party [SRS] are in a dark, unkempt building that resembles the offices of a youth party organization in a small provincial Greek town. Over the entrance we see the two-headed eagles of the "Cetniks." Two young men with crewcuts and bulging shirts searched us exhaustively. From the anteroom I can see young women moving about in the back rooms. My eyes focus on a truly impressive beauty and I am told that she is Seselj's official "escort." Seselj had been accused by his opponents of being a homosexual, but this does not appear to be true.*

*"Chairman" Seselj appeared a few minutes later. He is a six-footer who resembles more a special forces officer than a politician. Yet, Dr. Seselj was one of the youngest professors of Civil Law at the University of Belgrade. Today he is also lecturing at the university in Pristina, the capital of Kosovo. He faces no problems, he says, "because the Albanians are by nature timid people." He places his party in the wider area of the center right leaving the extreme right to the "Serbian Democratic Renaissance" of Vuk Draskovic. He readily grants us an interview because we are Greeks. In the past he had explained that for Greeks and Russians interviews are free of charge. For Germans, Italians, and Americans he charges 1,000 German marks [DM] per interview, while Muslim journalists haven't got a chance. With regard to Skopje he offers a truly original solution. Here now is the full text of the interview.*

[Harvalias] In Greece the name Seselj is associated with some sensational statements...

[Seselj] I hope the Greeks do not hate me as much as I am hated by the Germans and the Italians.

[Harvalias] In truth, who is responsible for what is happening today in Yugoslavia?

[Seselj] Those powers which thoughtlessly imposed the breakup of our country in a dangerous effort to restore the spheres of influence. The thing started with the Germans and the Vatican, and then Washington rushed to get a share of the spoils.

[Harvalias] Where do you place your party ideologically?

[Seselj] As you know, the area of the left has been monopolized for the past half century by the Communists who have now changed their name to Socialists. I refer to the Milosevic group.

In the center, the main group is the Democratic Party of Micunovic while our party is at the center right of the ideological spectrum. I would place at the extreme right the "Renaissance" of Draskovic and the opposition group of the Depos.

The problem with the latter group is that they advocate the violent overthrow of the Socialist government, a position we oppose categorically.

[Harvalias] The Western news agencies associate you directly with the activities and possibly the crimes of paramilitary bands.

[Seselj] We have no connection with paramilitary bands. Only some of our followers joined voluntarily when the war with Croatia broke out and were quickly incorporated into the Serbian army fighting in that region. Later we had cases of followers who joined the Serbian military forces in Bosnia. At this moment, however, we have no connection with paramilitary groups and our party machinery has no military character.

[Harvalias] You have made a bold decision, as I know, to teach at the University of Pristina. What do you think will be the reaction of the Albanians there?

[Seselj] No problem. I am not a full professor. I only go there once every two weeks, and I have walked in the streets of Pristina without incident. I walk by myself, but the Albanians fear me as though I were accompanied by 20,000 gunmen! Don't forget that traditionally the Albanians are timid people. Only if they feel you are weak do they dare to challenge you. But if you show a little strength, they run away like rabbits! I have been in Kosovo 100 times and nothing has happened to me. They disappear as if by magic!

[Harvalias] But the designs for a Greater Albania seem to be favored by foreign powers. Many speak of special relations between Rugova and the U.S. State Department.

[Seselj] Naturally. The Albanians can do nothing by themselves. Whatever they do, they do it with Washington's support and encouragement. Don't forget that the United

States is working on a serious opening to the Muslim countries because of the recent war in Iraq. They try to "appease" Turkey, which they think offers the only access to the Middle East. Turkey is favored by the United States because Washington considers Turkey to be "a moderate Muslim country."

[Harvalias] In other words, we can distinguish between "moderate" and "hard" Islam?

[Seselj] That's what the Americans think! I know the Muslims and I believe that the Turkish penetration is more dangerous precisely because it enjoys Western support. You, in Greece, know well the scenario of the "Islamic arc." In Bulgaria, the government, before its recent resignation, was controlled by the Muslims of Ahmed Dogan. That's how the Americans see their interests, and, if tomorrow they tell the Turks to "take one part of Bulgaria and turn it into an autonomous area," they will do it. The same applies to your Thrace!

[Harvalias] What about Skopje?

[Seselj] I am sorry that Serbia, being preoccupied with other fronts, did not have the forces to solve this problem once and for all. The solution we see is to partition the state of Skopje into four sections. The Kumanovo region, inhabited by Serbs who are denied their elementary rights, belongs clearly to Serbia. The western part, with some 300,000 Albanians, could be given to Albania, while the eastern part, inhabited by Bulgarians, could be claimed by Bulgaria.

The southern part of Skopje is inhabited by Greeks and Vlachs of Hellenist orientation, the so-called Tzintzars. They are Greeks, and the entire area of the Monastiri Bitola-Peilep line should be given to Greece. The most important element for us is that Greece and Serbia together keep control of the strategic Vardar Valley. Only in this way do we cut in the middle the "Islamic arc," the middle Balkan zone dreamed of by the Americans.

[Harvalias] But can these things be done automatically?

[Seselj] I believe that after the embargo and the sanctions are over and once the fighting has stopped, a diplomatic agreement is possible among the interested parties for the partition of the area. Inside the so-called Macedonia there is nobody capable of opposing it.

[Harvalias] And that would be left for Gligorov?

[Seselj] Gligorov has no political or military power. He stays in power only because his Western patrons want him to stay.

[Harvalias] And the recognition issue?

[Seselj] From what I said already, it is evident that there can be no recognition. And in the event that there is recognition it is certain that a civil war will break out inside the Skopje area.

[Harvalias] How about the name?

[Seselj] We all know that the name "Macedonia" was a Comintern invention. Greece is absolutely right in

demanding a change in the name and in insisting on this position until the end. Without the name, their propaganda will fall into a void. It will be a crime if Greece withdraws her objections.

[Harvalias] Do you think Milosevic's proposal for a confederation with Greece was positive?

[Seselj] I believe it was very premature and the only thing it achieved was to embarrass the Greek prime minister.... Our relations with your country are excellent and our "understanding" a given. But the Milosevic proposal was hasty, too premature and untimely!

[Harvalias] What is the primary objective of your party?

[Seselj] The resignation of the Federal Government. The resignation of Panic, who, as you know, has stated that he will recognize "Macedonia."

[Harvalias] Why does Panic make so many inept moves? Is he simply shallow?

[Seselj] Panic does whatever the Americans tell him to do. Whatever the State Department dictates.

[Harvalias] Then why did Milosevic bring him in?

[Seselj] No it was not Milosevic who brought him in. It was Cosic, who pressured Milosevic, who did not know what was going on.

[Harvalias] How do you explain this "alliance" between Prime Minister Panic and President Cosic?

[Seselj] I told you about Panic. Cosic was forced to align himself with him because at one point he came to believe that the Americans were about to... invade Serbia. His moves are due to inept analysis rather than unpatriotic intentions. Cosic does not understand how modern politics operates. He does not understand that the West respects only those who appear to be strong and decisive.

[Harvalias] What is your opinion of Milosevic?

[Seselj] As you can understand we disagree on ideological grounds on many economic and social issues. But we agree to a large extent with his handling of our national issues. In any event, the last thing one can question is Milosevic's patriotism!...

### Development of Macedonian Foreign Service

93BA00124 Skopje PULS in Macedonian  
24 Sep 92 pp 10-11

[Article by Emil Krsteski: "The Ambassadors Stay Home"]

[Text] *The time has passed when ambassadorial positions were reserved for "the successful and dutiful" or for "the somewhat successful" officials of the Republic and its provinces. The ambitious plans of Macedonian diplomacy have collided with the modest material capabilities of the Republic. What has Macedonia gained and what has it lost with the disintegration of Yugoslav diplomacy?*

The period of the beginning of the collapse of Yugoslavia in practice marked the beginning of the dismantling of its diplomacy, spread out through more than 130 countries in

the world, the command center of which was located in the Federal Ministry of Foreign Affairs [SSNR] in Belgrade. Not only did this raise the question of succession to Yugoslav property abroad, i.e. to diplomatic consular missions [DKP], but it also signified the beginning of the isolation of the Republic's diplomats and the beginning of independent establishment of the Republic secretariats (ministries) of foreign relations for conducting and putting together a foreign policy. Many shifts in Yugoslav diplomacy took place within the framework of these activities, more precisely in the individual diplomatic institutions of the six republics. It is known that Slovenia and also Croatia for a fairly long time had conducted a so-called parallel diplomacy in the DKP's and insisted on defending the interests of their republics at any cost. It is perhaps precisely for this reason that the most drastic conflicts between "Yugoslav diplomacy" and the diplomats who separated and "were spawned" from it was between these two republics and the center in Belgrade. An example of this is the vicissitude around the recall of the Yugoslav ambassador, Darko Silovic, from his career in New York in February of this year, and the reason cited for this action was that he was designated for this post through the Croatian personnel list. Silovic remained in New York on his own account, refusing to leave his residence, that is, to sign the transfer of operations to the newly arrived representative of the Federal Republic of Yugoslavia to the United Nations, Dragomir Dzogic, with which the appointment would be turned over and would be the property of the "Third Yugoslavia." The justification of Ambassador Silovic in the letters that he sent to Lord Carrington is precisely the defense of valuable property against usurpation.

Otherwise, government property abroad, including embassies, consulates, residences, houses, and apartments, which altogether amount to 125 buildings, is worth, together with the land on which they are built, over half a billion dollars. How all this will be distributed among the former republics, and according to which criteria and principles, up to now has not been clarified either theoretically or practically, and is a question that remains without an answer.

In the meantime it is clear that the majority of the diplomatic representatives who were from Slovenia or from Croatia have remained in the countries to which they were sent by the SFRY and now operate in the interests of their republics. Some of them are working in the rooms of the Yugoslav embassies or missions. The embassy in Vienna is one of the most valuable historical and cultural objects of the former SFRY abroad, and a Croatian company has been working in it for several months. The Croatian ambassador, Ivan Brielic, also is located there. The same obtains with respect to the property rights to the ambassadorial residences in Tunis, Chile, Italy... where rooms and apartments are in a confused situation.

How did the Republic of Macedonia find itself in this diplomatic soup?

The Macedonian personnel amounted to 5 percent of the entire Yugoslav diplomatic corps, which also was the case

of the personnel from Slovenia, Kosovo, and from Vojvodina, which did not provide any great optimism that they would have great participation and influence in creating and conducting the overall foreign policy of the SFRY. This foreign policy was implemented up until a year ago through 89 embassies, 24 general consulates, 11 consulates, four cultural information centers, five permanent missions, and two permanent delegations, in 135 countries or international organizations. The Socialist Republic of Macedonia, within the framework of these "privileged services," was represented only by 10 ambassadors, two general consuls, nine advisers, 11 secretaries, and nine consuls. Of the entire 1,146 jobs in the diplomatic and consular missions abroad, our Republic was represented by 61 people, more precisely by the smallest percentage.

This does not mean that Macedonia did not provide personnel to important countries (ambassadors in Moscow, London, Paris, Brussels, Athens, and Ankara); nevertheless, in recent decades the Macedonian representatives were called "ambassadors to the end of the earth," an epithet that well-suited our diplomatic representatives in Uruguay, Sri Lanka, Guinea, Tunis, Brazil, Mozambique, Finland, Romania... who, by the way, hand on heart, did not provide any contribution to the development of the overall bilateral relations between the SFRY and the corresponding countries, nor again were they important for relations and contacts with Macedonia. However, it is realistic to ask ourselves what can one ambassador in Montevideo, the capital of Uruguay, irrespective of his ability, expertise, and professionalism, do for the relations between Latin America and Macedonia?

Perhaps such a personnel policy has its roots in the long-standing insistence and practice of the political leadership of the SFRY, to reserve ambassadorial positions as reward trips for the "successful and dutiful," or "slightly successful" officials of the republics and provinces. Therefore, one should not be surprised at the fact that three to four years ago, of all of the 81 ambassadors that the SFRY had, 50 ambassadors came "from outside" and only 31 people were personnel of the Federal Ministry of Foreign Affairs—that is, were trained, proven people of confirmed professional qualities. Otherwise, in Europe and in the world it is characteristic for ambassadorial people to come from the Ministry of Foreign Affairs, the best ambassadors being the Egyptian and Turkish diplomatic corps, the personnel of which in the diplomatic and consular missions abroad are professionals, and there are no cases where ambassadorial posts are granted to certain deserving citizens or politicians. The only post in the Egyptian Diplomatic Corps that does not have a professional is in the nation of Chad, where, for strategic reasons, the ambassador is a military person. There are similar examples in the organization of the Ministries of Foreign Affairs of the majority of foreign countries.

The reason that the Macedonian personnel were called "ambassadors to the end of the earth" may be found in the "proposal" on the part of our Republic, more specifically, in the personnel proposal lists which were sent to the Federal Ministry of Foreign Affairs. Often it was possible



to find on these lists professors from the agriculture and forestry or chemical-technology departments, directors of certain scientific and government institutions, cultural and educational workers... people who up to that time had known nothing about the mode of operation of the Ministry of Foreign Affairs. Sending untrained and unprofessional people to Belgrade, whence they were sent abroad, is how the label "ambassadors to the end of the earth" was earned. A characteristic example was sending to the consulate in Melbourne the Macedonian official (consul) who had only taken German at the seventh proficiency level, but served in Australia where English is spoken. However, there were cases in the personnel lists of the Federal Ministry of Foreign Affairs where Macedonia sent people who did not know any world languages at all, and did not have any other basic qualifications for ambassadorial posts.

Very often the former Federal Ministry of Foreign Affairs underwent a transformation in order to modernize its work, so that several times restrictions were put on the diplomatic corps. In one staff analysis, which was made a decade ago, when Lazar Mojsov headed this institution, it was found that only 30 percent of the diplomatic personnel within and outside of the country satisfied the basic criteria for work in this area. This piece of information is quite indicative of the involved system for building, maintaining, and continuing the "diplomatic family branch." The motto of certain public officials in the Republic "to become an ambassador at any price" in most cases did harm to Macedonia, since besides this a certain kind of reciprocity in the Ministry of Foreign Affairs was maintained: "Crippled" or "semicrippled" people who were not at all suited, or more precisely who did not satisfy the required basic criteria for these posts, were found on the personnel lists. There was a reason why Albert Einstein said that the only reality in the world is relativity.

What is the experience of the Macedonian Diplomatic Corps and how will it be organized and function in practice in the future?

It is obvious that now there is no room for "rewards of ambassadorial posts" and "reward trips" in Macedonian diplomacy because every step in foreign policy will be watched attentively. What is more important, it is of vital significance for its international affirmation and for broader international recognition of the Republic of Macedonia. This was confirmed by the naming of the first three official missions of the Republic of Macedonia abroad to Brussels, New York, and Geneva, where professional, relatively young personnel from the Ministry of Foreign Affairs, more precisely from the former Federal Ministry of Foreign Affairs, who had already served within these posts within the framework of the Yugoslav Diplomatic Corps, will serve.

However, the Ministry of Foreign Affairs of the Republic of Macedonia only two years ago announced its restructuring and reorganizing for a more effective operation. The overall coordination of the foreign policy of the Republic of Macedonia requires the reorganization of the Ministry of Foreign Affairs, which is necessary at this time. This

would mean the maximum use of the existing internal potential and the use of the professional personnel who have returned from the Federal Ministry of Foreign Affairs. However, unfortunately, not one of the people who have returned from Belgrade or abroad are involved in our Ministry of Foreign Affairs.

The return of our ambassadors upon the disintegration of Yugoslavia represented a problem in and of itself. The Republic of Macedonia financed their return (on the average for \$10,000 per family), which, however, it seems could have been avoided if the decision for the return of the diplomatic personnel had been made on time, as Slovenia and Croatia did with the majority of their personnel, for which the material expenditures were at the expense of the Federal Ministry of Foreign Affairs in Belgrade. Another problem was that the Macedonian personnel abroad were not promptly given instructions to act exclusively in the interests of the Republic of Macedonia and concerning the ways (or at least the attempts) in which to take part in the common infrastructure abroad at that time. The third problem was their employment in Belgrade rather than in Skopje. There were ambassadors returned to the Republic whose status and place in the Ministry of Foreign Affairs was suspended for several months; they had no job, no desk, and no material compensation.

Our Republic was very ambitious with respect to the decision of the Badenterov Commission for fulfilling the conditions for international recognition in relation to the restoration or diplomatic and consular functions in the countries in the world. It was declared in the press that there are requests for opening 40 embassies in the Republic of Macedonia, that our Republic will open precisely the same number of missions abroad, and that first of all this will be done in the countries which have the largest number of our emigrees—Australia, the United States, and Canada.

In general, one should not expect more extensive international recognition of the Republic of Macedonia and a start toward a bolder action of the Ministry of Foreign Affairs. In the world, diplomatic and consular relations are established on the basis of reciprocity; in the meantime this cannot serve as a justification and reason for the fact that the Republic of Macedonia as yet has not created its own missions in some countries in Europe and the world. Otherwise, the existence of missions is not based on reciprocity.

Nevertheless, those services are necessary in order to provide our Ministry of Foreign Affairs with the appropriate information and materials. It would have been good for the Macedonian delegation to the conference for the former Yugoslavia in London to have information of its own, at least special representatives in some European countries, who were participants in this conference, in order to obtain their opinions. Then it would have been possible to know from which countries and concerning what questions we would get support. Obviously, without extensive contacts and without a developed diplomatic network we could not have a successful diplomacy and successful operation of the Ministry of Foreign Affairs.



Our diplomacy cannot make general decisions since diplomacy is a profession that requires, among other things, a healthy professional basis, with which a step forward will be made (or will be anticipated) in the diplomatic negotiations and treaties.

It is possible to believe that the Minister of Foreign Affairs, Mr. Denko Maleski, will maintain his sharpened criterion in choosing the Macedonian diplomatic and consular personnel abroad, as is the case with the selection of our current missions in New York, Brussels, and Geneva, and that he will not be swayed from the pressures "from outside" and by the various lists of "distinguished persons" that are being drawn up: one by the government, another by the parliament, and the third by the Ministry of Foreign Affairs, as well as by the party "diplomatic lists." Because his reputation and rating, as well as the reputation of the ministry, will depend on his proper attitude toward this matter.

[Box, p 11]

#### First Macedonian Missions

The official Macedonian missions in New York, Brussels, and Geneva soon will begin work, representing the first bridge in collaboration between the Republic of Macedonia and the United States, the European Community, and the expert negotiating team for succession of the former Yugoslavia.

As PULS unofficially announced, Dimitir Bidikov (1956), who graduated from the Department of Political Science and has passed the seventh level in the English and French languages, will be sent to New York. Dimitir Bidikov worked for four years in the Cultural Information Center of the SFRY in New York.

Jovan Tegovski (1952), who graduated from the Department of Economics and passed the seventh level in French and fifth level in English, should be leaving for Brazil. Jovan Tegovski worked as an adviser on economic matters in the Yugoslav embassies in Brussels and in Ankara.

Most likely our representative in Geneva will be Kosta Durakovski (1953), who graduated from the legal department and passed the seventh level in English, and who worked as a consul in the consulate of the SFRY in Chicago.

[Box, p 11]

#### Diplomats Without a Career

Of the "ambassadors to the end of the earth" we will cite some of the more recent examples of what kind of candidates were found on the Macedonian personnel lists for serving in the diplomatic and consular missions of the former Yugoslavia abroad. It is characteristic of almost all of the names cited that, first of all, they had served no diplomatic apprenticeship and had no experience or expertise in the Ministry of Foreign Affairs or in the Federal Ministry of Foreign Affairs.

Branko Trpenovski, a professor of the engineering department in Skopje, was ambassador to Brazil.

Liljana Todorova, a graduate of the philosophy department (dean of that faculty), was ambassador to Guinea.

Risto Blazhevski, a graduate of the agriculture and forestry department, worked as a special adviser and authorized minister in the Federal Ministry of Foreign Affairs.

Stoyan Dimovski, a graduate of the philosophy department, and with a catastrophically poor understanding of the English language, was ambassador to Uruguay.

Boris Rikalovski, a graduate of the chemistry department, was ambassador to Venezuela.

Trajan Baftirovski, a graduate of the economics department and with an understanding of the German language, worked in the general consulate for the SFRY in Melbourne.

Zhivko Apostolovski, a graduate of the agriculture and forestry department and who received the seventh degree in the French language, worked as a general consul in Salonika.

For higher positions in the embassies and consulates, usually a knowledge of two world languages, of which one must be diplomatic—that is, English or French—is required. Most of the personnel from Macedonia have a diploma for understanding one, and there are also cases where Bulgarian or Russian is noted as the second language. This for posts such as consulates in Stockholm, Peking, and embassies in Tirana, Luanda, Nairobi, Harare, Tripoli.... There are also cases where the people do not know any second languages, as in the cases of Lenche Avramova-Mitevka, who worked as a consul in the general consulate in Cleveland, and with Militsa Istochka, who was the first secretary for press and culture in Sofia.

#### Macedonian Justice Minister Gosev Interviewed

93BA0077A Skopje VECER in Macedonian  
5 Oct 92 p 7

[Interview with Minister of Administration and Justice Tuse Gosev by T. Naumchevski; place and date not given: "Justice on a European Model"]

[Text] *With the new Constitution, the Macedonian Government has already decided on a European model of justice, and this means independent and free judges who are beyond the influence of day-to-day politics and the party in power.*

At the present time, 424 judges are working in Macedonia, while 28 of the former courts of collective labor are taking a one-year appanage from the government.

The European model of Macedonian justice will begin to function at the latest on 1 April 1993.

The new minister of administration and justice, Tuse Gosev, a 41-year-old lawyer from Strumitsa, is not unknown to the broader public in the Republic. As a deputy of the SDSM [Social Democratic Alliance of Macedonia] in the parliament of Macedonia, he was one of the more active participants in the work of the Republic

assembly, and he made his contribution (through the work of different assembly committees) in "writing" several systemic laws, especially those in the area of legislation. He was one of the greatest champions of a more urgent adoption of the proposed legal decisions, although, unfortunately, they still remain in the assembly lobbies today, almost two years after the formation of the parliament. Possibly, just for that reason, his first concern in beginning his new job was to have the systemic laws concerning the responsibility of his ministry "reread" so that they could be placed in the process for adoption as quickly as possible.

### Changes

[Gosev] Yes, precisely so. The working group responsible for "developing" four of the seven laws (concerning the legal profession, the republic judicial council, the courts, and the public prosecutor's office) has already completed its task and has presented these texts to the government to be "initialed" before the final stage of adoption on the part of the parliament. At the same time primary emphasis is placed on the law for courts as a pillar of the package of laws concerning the jurisdiction of our ministry. Consider that we are carrying out a transformation of the legal system and we still have not passed a law for the republic judicial council, which, according to the Constitution, among other things, proposes the selection and the dismissal of judges to the assembly.

[Naumchevski] What are the "corrections" that the new minister has made to the legal texts prepared by the old minister?

[Gosev] The changes, if they may be called that, relate to the most significant thing—the jurisdiction of the courts. This time we are stressing the positive enumeration or precise definition of the jurisdiction of every court, in order to avoid conflicts in the performance of the judicial function. Another new feature is the fact that the lower courts in the first stage will perform procedures relating to extraprofessional matters such as, for example, safeguarding, executing, and verifying title deeds and registrations...

[Naumchevski] Does this mean that essentially the laws remain the same?

[Gosev] We offer a European model of justice. Or, more precisely, we, and the Constitution itself, have decided in favor of one of the two existing world models—the Continental, which essentially offers legal proceedings in councils. In other words, these laws are not made in order to serve the party in power, and therefore I am able to assert that their duration will be long-lasting.

### Tensions

[Naumchevski] How, in current conditions, without new laws, is the judicial system in the Republic getting along?

[Gosev] The courts are operating normally. We do not even have problems with the fact that upon the passage of the new Constitution the jurisdictions of certain courts—the economic and collective labor courts, and the military court—were eliminated. The present lower, superior, and supreme courts are continuing to carry out their functions.

The only problem is with the individual—the judge. The longer the passage of the laws is delayed, the more the tension among the judges grows. As of now they are under great uncertainty and therefore impatiently await the adoption of the new laws. When I spoke about the European model of the judicial system I was thinking about an independent and free judiciary. When the judge will be chosen "once and for all" and will not depend upon politics or the party in power, then we will have reached the desired goal.

[Naumchevski] Where are judges from the already "abolished" courts for collective labor, the economic courts, and the military court going?

[Gosev] In Macedonia at the present time there are 424 judges registered who are in a regular work situation and 28 judges who are exercising their legal right and are at the account of the state for a year. These are those judges who worked in the courts for collective labor, and whose "appanage" does not expire until the end of the year. I am able to tell you freely that all of them will be employed. However, at the present time their activation will depend for the most part upon the passage of the above-mentioned laws.

[Naumchevski] What about the article in the Constitution of Macedonia in which it says that "the judge cannot be transferred against his will"? Won't the new distribution amount to situations of this type?

[Gosev] I think not. The judges from the former economic courts will continue their work in the lower courts, which are present in all cities. Those from the courts for collective labor will be activated in the corresponding workplaces, and there were almost none from the military courts in Macedonia with the departure of the former Yugoslav People's Army from our territory. However, when the law for the Republic Judicial Council and the law for the Courts go into effect, all existing judges will be proposed for reselection, and who will be selected where will be worked out then.

### Criteria

[Naumchevski] How will the new judges be selected and according to what criteria?

[Gosev] We have supplemented the old texts of the laws precisely in this area. According to the proposed legal regulations the judge in the lower court, having passed the judicial examination, also must have work experience of three years, or seven years for a judge in the superior court. Again, with respect to the selection of a judge for the supreme court, the law proposes the possibility that he may be a professor of a department who has continuously taught legal subjects (for 10 years). Otherwise, the desire is to free ourselves from the judicial civil service and administration, but on the other hand, again to open a wider range for employment of new young lawyers.

[Naumchevski] All these laws in the "first version" were ready a long time ago, but somehow did not enter the

assembly process. What do you expect of the "new texts," and when do you foresee normal operation of the courts?

[Gosev] The four laws mentioned at the beginning existed before the government and should come before the parliament in the first session as draft laws. Or, all in all, I expect and will make all efforts to insist that the legal regulations dealing with the judicial system will be implemented to function at the latest by the 1 April 1993. And then we are expecting the preparation of a series of other laws.

#### **Impact of Embargo on Vojvodina Minority Papers**

93BA0226C Novi Sad MAGYAR SZO in Hungarian  
29 Oct 92 p 6

[Unattributed article: "How Could the Publication of MAGYAR SZO Be Financed? Statement by the Provincial Information Secretary"]

[Text] It is a matter of days before publishing houses become paralyzed because of the paper shortage. For this reason, Vojvodina Provincial Information Secretary Milan Lucic has written to the UN secretary general, to the Committee on Sanctions of the Security Council, and to the CSCE, asking persons in authority to lift the embargo insofar as it applies to newsprint. In his letter Lucic states that the failure to publish newspapers renders multiparty democratic elections, and a continuation of the already started democratic processes, impossible.

Our readers are familiar with the fact that the publication of minority newspapers in Vojvodina is threatened not only by the newsprint shortage. At today's session of the Provincial House of Representatives, 120 million dinars will be distributed among newspapers published in the province, even though continuous publication until the end of the year would require 330 million dinars.

"How should MAGYAR SZO be published under these circumstances?" we asked Provincial Information Secretary Milan Lucic.

"Momentarily I requested a supplemental allocation of 330 million dinars from the federal and the Republic's budgets—the amount needed for the publication of Vojvodina newspapers until the end of the year. MAGYAR SZO must not cease publishing, even if additional funds have to be borrowed, based on a guarantee provided by the founder."

Accordingly, insofar as we are concerned, we can only add that those in authority continue to perceive the resolution of MAGYAR SZO's publishing problems by imposing an additional burden on the editorial office.

#### **Vojvodina Hungarians, Provincial Minister Meet**

93BA0226E Novi Sad MAGYAR SZO in Hungarian  
29 Oct 92 p 7

[Unattributed article: "Moral Pollution; Ferenc Deak and His Associates in Moravica"]

[Text] Ferenc Deak, provincial minister for minority affairs, Slobodan Stojadinovic, minority affairs service director, and his associate, Gyorgyi Bakos, conversed with

Moravica citizens Tuesday evening about the minority situation. Responding to a question concerning the secretariat's scope of authority, the minister said that they are keeping an eye on the realization of minority rights, and that they are making recommendations to the government and the House of Representatives to remedy the problems. They are fighting against rights infringements and against moral pollution.

Most of the discussion pertained to the mobilization, to wrongs of this nature suffered by Hungarians, to the law on language use and education, and to the practical application of that law. Regarding the latter issue people present at the meeting stated that there were no real problems, that textbooks were available, and that an increasing number of Hungarian writers were included in textbooks on Hungarian literature.

In contrast to the above, several complaints were heard relative to the enforcement of the language-use law, including one that pertained to writing birth and death records in Cyrillic letters even in Hungarian-inhabited municipalities like Moravica. Even the guests were surprised to hear this, because, however good or bad that law may be, it does provide an opportunity for the use of the native language in municipalities where the majority of the population is composed of members of minorities, or if the rules and regulations of a municipality so provide. This is being followed in the village of Topolya [Backa Topola]; in other words the use of Cyrillic letters in these documents is not mandatory. This goes to prove that people do not always take advantage of rights granted, most likely because they are not even aware that such rights have been granted. This demonstrates the utility of the situation assessment made by the Provincial Secretariat, a matter that was questioned before noon by some at the Topolya meeting, although no one raised such questions in Moravica.

#### **Vojvodina Hungarians Report Threatening Letters**

93BA0226A Novi Sad MAGYAR SZO in Hungarian  
29 Oct 92 p 6

[Unattributed article: "Szabadka: Threatening Letters"]

[Text] "Get out, or we will butcher you and your family!" one can read in several dozen threatening letters received by many Hungarian families in Szabadka [Subotica]. The letters postmarked in Ada are reminiscent of methods used in psychological warfare. Their purpose is to intimidate and to create a feeling of uncertainty among Hungarians. The exact number of threatening letters is not yet known, but at this point several people have already complained to Mayor Jozsef Kasza and to CSCE observers. Most certainly, the number of those who remain silent is greater.

We learned from CSCE observer Ingemar Borjesson that they were aware of the threatening letters, but so far only a few people had come to them. But in order to assess the number of people receiving such letters, to find out the basis for selecting the addressees, and to learn whether there was a system at all or if randomly selected persons received such mail, it would be necessary to receive reports

from as many recipients of these letters as possible. A reminder: The CSCE offices in Szabadka are located on the sixth floor of the new city hall and can also be reached by dialing 27-237.

The observers called upon recipients of threatening letters to report these letters not only to the observers but also to the police, whose duty it is to initiate proceedings regarding such incidents.

### Goals of Serbia's Chamber of Commerce

93BA0213D Belgrade *BORBA* in Serbo-Croatian  
9 Nov 92 p 9

[Interview with Vlatko Stojiljkovic, president of the Chamber of Commerce of Serbia, by D. Sverko: place and date not given: "We Are Preserving the Market and—the State"]

[Text] From his very inauguration to the office of top man in the Chamber of Commerce [CC] of Serbia, which he obtained with a close majority of the vote, there have been opposed opinions associated with Vlatko Stojiljkovic. From those who say that the Chamber of Commerce has never cooperated better with the agencies of government than now, to the opposite view that this business association is only a branch office of the Serbian Government and its policy. And it is well-known that ministers quite frequently come to meetings in the Chamber of Commerce, and secret "visits" by Prime Minister Radoman Bozovic are well-known, and have been regarded with suspicion. Yet it was from the Serbian Chamber of Commerce that the nomination originated for Milan Panic as prime minister of the Federal Government.

"It is well-known that the impression of the Chamber as the long arm of Serbian policy has been left because of the joint commitment of the CC and the government to do everything to maintain production under the effect of the sanctions and the high rate of inflation. A few years ago perhaps the Chamber was a paragon of government association. Today, it certainly is not, the effort is exclusively on the basis of partnership. The government has supported many proposals made by the Chamber of Commerce, but on the other hand there are quite a few issues over which they are quarreling even today. For instance, how to find the right measure between the necessary amount of administration and the market methods we need under the impact of the blockade. That is, the environment in which enterprises will do business as independent business entities on the market, with the necessary powers of the state with respect to managing basic resources and balances."

[Sverko] The present economic policy leads to a command economy. What is left to the economy?

[Stojiljkovic] This is not a command economy. It is one thing to prevent what is unnecessary and which could be abused under the conditions of the sanctions and the limited market, so that it is necessary for the state or the administration to make an appearance in those segments. We are working to preserve the market environment in which the ability and business acumen of economic entities will be manifested. The economy, for instance, felt that

the greatest disagreements were in the price sector, and it turned out that we are right. The most recent decree of the government of Serbia reduces the number of products whose prices are under the administrative control of the state. It was estimated, that is, that limiting prices has resulted in a further decline of production.

In any case, I have known Bozovic since back in the period when Serbia was created, after the eighth meeting, when the process of overcoming the autonomy movement in Vojvodina was taking place.

[Sverko] How do you assess the work of Federal Prime Minister Milan Panic?

[Stojiljkovic] I am one of those who favored electing Milan Panic prime minister. What we had in mind was that, as a man who comes from the environment which has been the protagonist of imposing the sanctions, he should convince that environment of the true state of affairs and behavior of Serbia and Yugoslavia.

Now, however, I think that as a successful businessman and winner of the award of the Yugoslav Chamber of Commerce for his effort, he could have done more. The results of his great activity are not sufficiently in evidence.

[Sverko] What do you think about the program of the Federal Government?

[Stojiljkovic] The program is good in its conception, but not for the present time, but for the future, when the sanctions are removed. In a meeting with Prime Minister Panic we called for federal authorities to be more involved in the current economic situation, because we have to survive until the period when the sanctions are removed. We got the impression that this was a hot potato which Panic did not want to take in his hands.

To be sure, some measures have been adopted. I am thinking above all of the decision of the Board of Governors of the National Bank of Yugoslavia to bring about conditions, together with the commercial banks, for credit financing of production which has a domestic market and which can prepare itself for exports.

[Sverko] It is estimated that by the end of the year about a million workers will be on mandatory leave because of the sanctions.

[Stojiljkovic] These are arbitrary estimates by certain individuals. That is, the greatest drop of production has been recorded in the metal-manufacturing, machine industry, and transportation equipment production. They represent 30 percent of Serbia's industry, and production in those industries is off 40 percent.

[Box, p 9]

### Directors Are Individuals

There is no overlapping at all nor identification between the Managers Association, which is a guild, and the chamber, which is a professional business association of firms. Stojiljkovic responds to the remark that business



executives in Serbia have formed two groups: one around the chamber and the other in the Managers Association.

Out of a good intention on the part of the directors to organize themselves as a guild, Stojiljkovic judges, something else has come. One segment of the leadership and of the association concerns itself with matters of business operation and economic activity, although they are not competent nor do they have legitimacy to talk about firms. They cannot speak in the name of their firms, because this is an association of directors as individuals. But if they want to engage in politics, they should register as a political organization.

### **Krajina Bank Governor Fears Financial Chaos**

93BA0213C Belgrade BORBA in Serbo-Croatian  
9 Nov 92 p 8

[Article by Srdjan Radulovic: "The Forests Are Protecting the Currency"]

[Text] Ever since Zeljko "Arkan" Raznatovic and his entourage arrived in Knin from Belgrade through the just opened Bosnian corridor in early July with the first sacks of Krajina dinar, which had just been printed (it was officially put into circulation on 14 July), many stories, quandaries, and guesses have been associated with that currency and have remained to this day.

No wonder, because the Krajina dinar began to circulate with the signature of Vojin Peuraca, the finance minister, before the National Bank of Krajina [NBK] was formed, so that suspicions remained about control of the money being put into circulation, its issue for other than the stated purpose, and the reality of the backing expressed in terms of the value of commodity stocks....

Pajo Marjanovic, who is governor of the NBK, said in a statement for BORBA that certain oversights and neglect of the proper sequence of moves in the initial phase of creating the Krajina monetary system are understandable in view of the lack of experience and the circumstances under which the connections were broken of the previous unified monetary system. Marjanovic says, however, that much has been done in the meantime to set up that system, warning at the same time that because of pressures and the attempt to get around the inviolability of the rules of the game there is a danger of the work done so far coming to naught and of financial chaos overtaking Krajina.

Among those moves, which are supposed to consolidate the Krajina monetary system, particular attention ought to be paid to the most recent decision to conduct money and foreign exchange transactions of Krajina branches of banks headquartered in Serbia under control of the NBK, which above all prevents an outflow of foreign currencies from Krajina. The behavior of those banks up to now, except for Beobanka and Vojvodjanska Banka, has caused resentment, because the foreign exchange left Krajina never to return, and the banks were not investing funds in Krajina. That had something to do with the sudden "flood" of dealers on the streets of Krajina cities, doubts arose about money being printed without control and about the parity between dinars being unrealistic, and those doubts were

intensified by the disproportion between the prices of the German mark on the foreign exchange black markets in Knin and Belgrade.

Marjanovic says that there has been speculation, to which even certain banks are not immune, nor indeed Krajina enterprises that are not turning in their daily receipts but taking the money to the foreign exchange black market and buying foreign currencies, but attempts will be made to prevent it through financial police activities and measures, the Social Accounting Service, and the customs service. As for price differences of the mark in Knin and Belgrade, Marjanovic says that aside from such speculation, that ratio also depends on the trade in goods, and there have been certain periods when the ratio between prices of the mark have been in the opposite direction or the same.

"The value ratio among the currencies in the RSK [Serbian Republic of Krajina], the Serbian Republic, and the FRY [Federal Republic of Yugoslavia] is approximately equal, but that does not preclude the possibility of an adjustment of the previous parity. We will try to maintain the value of our dinar at a real level, which even now is based on approximate coverage with commodity stocks. That is why we have committed ourselves to intervening by stimulating development of agriculture and animal husbandry as well as the renewal of production in major Krajina collectives, so as to bring about conditions, with the help of other measures, above all tax policy, so that public expenditure is covered more effectively. An agreement has also been reached that the National Bank will use the money from primary issue strictly to stimulate those development programs," Marjanovic says.

He says that the Krajina dinar is being printed in Knin and that the NBK is an independent institution that renders its accounts to the RSK Assembly. However, no complete answer was given to the question of the amount of Krajina currency in circulation and the control of primary issue. That is, Marjanovic says that "a rather sufficient quantity of money" is in circulation, that the NBK is "holding it under control, but there are also channels in which that money flows and gets stuck, which we will try to solve in the right way." The essential thing, he asserts, is that the amount of money in circulation is "a value approximate to commodity stocks, which is what the money supply depends on."

Marjanovic nevertheless warns that Krajina could find itself in a difficult financial situation if it enters the coming year without real sources and without financial discipline. The warning is also essential because the Krajina budget to the end of the year is covered by funds in the FRY budget, but that possibility has not been taken up for next year.

It is certain that the Krajina dinar will push through to the end of this year, but unless that warning is taken seriously, there is a question of the state in which it will celebrate its first "birthday."

[Box, p 8]

**New Look**

The Krajina dinar, which differs from its "namesake" in the Serbian Republic only in the name of the republic written on it and the signature of the authorized person, is to be given different features. According to Pajo Marjanovic, they are planning to print bank notes with the seal of the National Bank of Krajina and the governor's signature.

**Demand 'Great' for Krajina Money by Banks**

93BA0213A Belgrade BORBA in Serbo-Croatian  
9 Nov 92 p 8

[Article by B. Stepanovic: "A Limit on Dealers"]

[Text] Beogradska Banka, Investbanka, and the Postal Savings Bank, which exchange Krajina dinars for Yugoslav dinars, are very busy. There is a great interest, so that quite often there are lines at the windows, and the amount of money which can be exchanged in a single transaction is limited to 10,000 dinars, at parity of one Yugoslav for one Krajina dinar.

"We have been forced to limit exchange to those quantities necessary to be carried to the Serbian Republic, because there are not enough Yugoslav dinars, and there has been an increased supply of Krajina dinars. We do not exchange dinars from the Knin Krajina, because our bank does not have a branch there," says Zora Labalo, director of customer service at Investbanka.

Beogradska Banka, at the same time, exchanges Yugoslav dinars only for those from the Serbian Republic Krajina, issued by the National Bank of Knin. The amounts are limited to 10,000 dinars per person per day, and the individual must present his personal identity card to show that he is a citizen of Krajina. Currency exchange transactions with the Serbian Republic have been halted temporarily, because it has not been able to promptly pay coverage to purchase funds, that is, for exchange. When that is settled, the exchange of currencies will be resumed.

"We conduct currency exchange transactions between Krajina and Yugoslav dinars only to meet the needs of individuals, because many private dealers have come to us with immense amounts of money, thinking that they would be able to exchange it without limit. Once a week, the Krajina dinars collected are turned over to the National Bank of the RSK [Serbian Republic Krajina] in Knin, and Yugoslav dinars are taken—the procedure is the same as with all foreign currencies. I feel that the present parity is realistic, because the price of the German mark, for example, is the same there and here—it sells for 410 dinars. This, of course, does not mean that in future the ratio will not change, depending on the strength of the two economies," says Vladimir Markovic, director of the customer service sector in Beogradska Banka.

As for the question of whether the Krajina dinars have any coverage at all, or this is a matter of exchanging ordinary paper for Yugoslav dinars, which after all are "worth" something, Markovic says that he is not precisely sure that

they have no coverage, because they obviously do have forests, wood, and other resources which can be exported.

Since the beginning of November, the Postal Savings Bank has initiated settlements with the Serbian Republic Krajina and the Serbian Republic. All citizens of the FRY [Federal Republic of Yugoslavia] who want to send money to those regions can do so with telegraph or postal money orders in Yugoslav dinars, and then the post offices pay that remittance in Krajina dinars at a parity of 1:1. The transaction can also be conducted in the opposite direction, Krajina dinars can be sent by postal money order to the FRY, and here the recipient will be paid in Yugoslav dinars. The maximum amount of the money order in both cases is 50,000 dinars. When money is being sent out of the FRY, as explained to us by Mirko Popovic, adviser to the general director of the Postal Savings Bank for money transactions, it is treated as domestic money, but when it arrives from Krajina it is treated as international settlement. The money collected on both sides is exchanged, and the difference after clearing is settled through the nonresident account. It is also possible to send remittances from abroad by postal money order through the Postal Savings Bank.

"We are simply buried with money orders, because people's interest is immense—whether parents in Krajina are sending their money to their children for education, or the children are working here and sending help to their parents. That, in fact, has been our principal motive in getting involved in this transaction, because the Postal Savings Bank itself derives no benefit from this," Popovic says.

The Postal Savings Bank has also opened a conventional currency exchange to purchase currency and checks, and the maximum individual amount which can be exchanged is 10,000 dinars.

**Effect of Krajina Dinars on Primary Issue**

93BA0213B Belgrade BORBA in Serbo-Croatian  
9 Nov 92 p 8

[Report by T. Jakobi based on interview with Dr. Dragana Djuric of the Institute of Economic Sciences in Belgrade; date not given: "Knin in—Topcider"]

[Text] "Lacking money just before an election is really a big problem; it is the essence of the fight between the Serbian Government on the one hand and the Federal Government and National Bank of Yugoslavia [NBJ] on the other," says Dr. Dragana Djuric of the Institute of Economic Sciences in Belgrade. "In that context," Dr. Djuric says, "we can easily assume that the government is conducting the entire transaction concerning Knin and Banjaluka dinars in order to increase primary issue."

Dragomir Djuricic, director of the republic settlement agency, indirectly suggested reflection along that line in a recent press conference held by the Serbian Government, when he said that one of the reasons for the shortage of cash is that a large quantity of Yugoslav dinars is going off to Krajina and being used as a means of payment there. "I consider that a good measure," Djuricic said, advocating at the same time that the NBJ for that reason increase the

amount of cash in circulation. We can also get an idea indirectly of where the money is leaking fastest from the report of that agency: That is, of all the parts of Serbia, the money shortage is greatest in Vojvodina, which is contiguous with Baranja.

"I do not think that this is a reason why the NBJ should increase the amount of cash, nor do I think that any kind of balanced monetary policy can be conducted unless the monetary area is clearly delimited," says Dr. Djuric. "You can believe the bankers when they say that Krajina and Yugoslav dinars are canceled out through nonresident accounts, but it is also true that no one knows what quantities of the two dinars are involved, and also that those figures are not accessible. It is evident from the very fact that an immense surplus of Krajina dinars has turned up in Serbian banks that there has been primary note issue, and all that is happening passes over into the domain of gray issue.

"In the krajinas, there is no production at all, it is exclusively a matter of uncovered primary issue of the dinars there, and their exchange for the Yugoslav dinar we have here (however much it might stumble) opens up the possibility of an uncontrolled growth of note issue and constant pressure on the NBJ," Dr. Djuric believes. "It is

also unclear how it is possible to maintain the 'one for one' exchange rate of the Banjaluka, Knin, and FRY [Federal Republic of Yugoslavia] dinars.

"The dinars there have no real backing, and it is obviously a case of artificially maintaining the exchange rate," Dr. Djuric says. "There is no doubt that such conduct of 'monetary policy' is causing a siphoning of inflation into the FRY. Only if a agreement were established in the krajinas on the compensation of goods for goods or that money issued would be covered by goods would there fail to be adverse effects. However, in the krajinas there obviously are not enough goods for trade, and it is difficult to believe that the money is being printed in order to 'cover' goods. In that general monetary chaos, and that is a mild word for what is happening in our country, everything is possible, even for transactions of that kind to be conducted 'under the table.' The number of people coming from the krajinas and exchanging money here far exceeds the number of people from the FRY going there, which makes it difficult to suppose that balance is being maintained in the exchange of one kind of dinar for another. Perhaps we never will learn what quantities of money are involved."

**END OF**

**FICHE**

**DATE FILMED**

14 DEC 1992